DOCUMENT RESUME

ED 478 241 PS 031 395

AUTHOR	Cleveland, Gordon; Krashinsky, Michael
TITLE	Fact and Fantasy: Eight Myths about Early Childhood Education and Care.
INSTITUTION	Toronto Univ. (Ontario). Childcare Resource and Research Unit.
ISBN	ISBN-1-896051-25-1
PUB DATE	2003-03-00
NOTE	74p.
AVAILABLE FROM	Childcare Resource and Research Unit, University of Toronto, 455 Spadina Avenue, Room 305, Toronto, Ontario, Canada M5S 2G8. Tel: 416-978-6895; Fax: 416-971-2139; e-mail: crru@chass.utoronto.ca; Web site: http://www.childcarecanada.org. For full text: http://www.childcarecanada.org/pubs/other/FF/FactandFantasy.pdf.
PUB TYPE	Information Analyses (070)
EDRS PRICE	EDRS Price MF01/PC03 Plus Postage.
DESCRIPTORS	Economic Factors; *Child Care; *Child Care Effects; Childhood Needs; Financial Support ; Foreign Countries; Government Role; *Public Opinion; *Young Children
IDENTIFIERS	Canada; Child Care Needs; Program Characteristics; *Subsidized Child Care Services; Universal Preschool

ABSTRACT

Governments in Canada and a significant number of Canadian citizens have not committed to public funding for child care services. A series of myths that reflect these concerns is frequently heard in public debate, myths that are repeated so often they have acquired a semblance of credibility. This report isolates eight such myths and subjects them and associated research to critical scrutiny, combining research evidence and logic to provide a readable critique to these frequently heard arguments against publicly funded early childhood care and education. The 8 myths addressed are as follows: (1) "Children need full-time maternal care when they are young"; (2) "Child care will harm children"; (3) "Families should pay for their own children"; (4) "Parents always know best"; (5) "Discrimination against stay-at-home moms"; (6) "Mothers would rather stay at home"; (7) "Child care erodes family values"; and (8) "It costs too much." Each chapter briefly characterizes the nature of the myth being addressed. There follows a point-by-point 10- to 15-page critique of the case, with evidence from both research and economic theory. Each chapter concludes with a brief, point-form summary of the main arguments. The final chapter offers concluding remarks, noting that Canada is heading toward a change in federal leadership and expressing the hope that addressing the need for comprehensive, high quality child care programs will once more emerge on the national agenda. (Contains 81 references.) (HTH)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 478 241

FACT AND FANTASY

Eight Myths About Early Childhood Education and Care

PS 031395

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
D Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
Martha Friendly
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

GORDON CLEVELAND

MICHAEL KRASHINSKY

BEST COPY AVAILABLE

Fact and Fantasy

Fact and Fantasy
Eight Myths About Early Childhood Education and Care

GORDON CLEVELAND AND MICHAEL KRASHINSKY

ECONOMICS, DIVISION OF MANAGEMENT

UNIVERSITY OF TORONTO AT SCARBOROUGH

Childcare Resource and Research Unit

University of Toronto

www.childcarecanada.org

2003

Fact and fantasy:
Eight myths about early childhood education and care.
Gordon Cleveland and Michael Krashinsky
Childcare Resource and Research Unit
Centre for Urban and Community Studies
University of Toronto
March 2003, viii, 67 pp.
ISBN 1-896051-25-1

Childcare Resource and Research Unit
Centre for Urban and Community Studies
University of Toronto
455 Spadina Avenue, Ste. 305
Toronto ON M5S 2G8, Canada
Tel: 416-978-6895
Fax: 416-971-2139
E-mail: crru@chass.utoronto.ca
Website: www.childcarecanada.org

Cover design: Sonya V. Thursby; Opus House Incorporated
Interior design: J. Lynn Campbell; Opus House Incorporated
Layout: Opus House Incorporated

National Library of Canada Cataloguing in Publication

Cleveland, Gordon
Fact and fantasy : eight myths about early childhood education and care / Gordon Cleveland and Michael Krashinsky.

Includes bibliographical references and index.
ISBN 1-896051-25-1

1. Early childhood education—Canada. 2. Child care—Canada.
3. Early childhood education –Government policy—Canada.
4. Child care—Government policy—Canada.
I. Krashinsky, Michael, 1947– II. University of Toronto. Childcare Resource and Research Unit III. Title.

LB1139.23.C54 2003 372.21'0971 C2003-903219-1

CONTENTS

Introduction and acknowledgements VII

CHAPTER 1

The "children need full-time maternal care when they are young" argument 1

CHAPTER 2

The "child care will harm children" argument 9

CHAPTER 3

The "families should pay for their own children" argument 17

CHAPTER 4

The "parents always know best" argument 25

CHAPTER 5

The "discrimination against stay-at-home moms" argument 33

CHAPTER 6

The "mothers would rather stay at home" argument 39

CHAPTER 7

The "child care erodes family values" argument 51

CHAPTER 8

The "it costs too much" argument 55

CHAPTER 9

Concluding remarks 61

References 63

INTRODUCTION AND ACKNOWLEDGEMENTS

The inspiration for this paper was a request made several years ago by Sandra Griffin, Executive Director of the Canadian Child Care Federation, to which we could not adequately respond. She makes a large number of speeches each year about the importance of public and private support for good quality early childhood education. Questions from the floor after these speeches sometimes raise the alternative of providing direct financial assistance to allow mothers to stay at home with their own children. Doesn't this idea make sense? Wouldn't this kind of direct financial assistance be better for children, preferred by parents and cheaper for the taxpayer?

She wanted to make a thoughtful, popularly phrased response to these questions. As we had recently completed a study of the benefits and costs of good quality child care in Canada (1998), she turned to us for an answer.

Based on our professional judgement as economists, we said that a proposal to pay mothers to stay at home would probably not be better for children, parents or taxpayers. It might be better for some children but worse for many others. It would be preferred by some parents but—especially when the costs were factored into taxes—would be rejected by most. And most certainly it would not be cheaper for the taxpayer than the most reasonable alternative—public funding for good quality early childhood education services available to all children. But Sandra wanted numbers and evidence, not just instincts. And so the idea for this study was born.

This paper responds to popular myths about public financial support for early learning and care services (high quality child care). We are economists at the University of Toronto—so, of course, it has a strongly economic orientation. We make no apology for this; many of the arguments for and against public spending on early childhood education involve economic propositions. As the logic of economic arguments can easily confuse those without economic training, we have tried hard to straighten out this logic and present evidence and arguments in a clear and careful manner.

We isolated eight main myths that are often heard in public debate about child care services. Of course, some of these are closely related and as a result, our responses to them sometimes overlap. The myths, which this paper addresses, are:

1. Children need to have full time care from their mothers when they are young; non-parental care interferes with parent-child bonding;
2. Child care outside the family will harm children; children cared for exclusively at home are better prepared for school and life;
3. Families should pay for their own child care;
4. Parents always know what is best for their own children; the government should not interfere with these decisions about their care;
5. Families with mothers who stay at home when children are young are discriminated against by the tax system; end the discrimination and more mothers will look after their own children;
6. Mothers would prefer to stay at home when children are young; the government should make this possible;
7. Child care erodes family values and interferes with the ability of families to pass on their values to their children;
8. Providing good quality early childhood education for children would cost too much and would therefore harm the Canadian economy.

The main objective of this study is to provide a reasonably thorough response to these ideas—to subject these arguments and associated research to critical scrutiny and respond in a popular fashion. Research evidence and logic are combined to provide a readable critique to these frequently heard assertions.

Nothing is more fundamental to the success of early childhood programs than public support for their continuance, expansion and public funding. The battle for public support and public understanding is carried out in Parliament, in provincial/territorial legislatures, in municipal councils, the media, public meetings, child care centres, schools, churches, universities and colleges, and families. Many of the arguments heard in those forums are familiar. They are repeated, embellished and altered as new experiences occur, as new research provides fresh insights and as political currents ebb and flow.

We believe it valuable to have a coherent review of the arguments for early childhood education and care services and a response to the frequently heard arguments against them. This paper represents a companion piece for our earlier study of the costs and benefits of good child care (1998). Here the evidence is presented as responses to a set of popular but—as we will show—fallacious statements about early childhood education and care services. We also present research to back up our responses.

Each chapter is written in a common format. Each briefly characterizes the nature of the myth being addressed. There follows a point-by-point ten to fifteen page critique of the case, with evidence from both research and economic theory. At the end of each chapter, a brief, point-form summary of the main arguments is presented.

We would like to thank Sandra Griffin for providing the initial inspiration for this paper and for reviewing it in draft form with extensive comments to improve its exposition. Several other experts provided assistance with crafting and reworking the ideas that you see before you. Jane Jenson, political scientist from the Université de Montréal and Director of Canadian Policy Research Networks' Family Network offered helpful comments, as did Shelley Phipps, an economist at Dalhousie University and expert in children's policy. Similarly, Martha Friendly, Coordinator of the Childcare Resource and Research Unit, University of Toronto was meticulous in her criticisms. She has also cheerfully and skillfully guided this manuscript through final editing, layout and publication. Johnathan Kesselman, professor of economics at the University of British Columbia and a specialist in public finance and taxation provided insightful and helpful comments on the relevant chapters of this book. A similar enthusiasm and attention to detail was provided by Gillian Doherty, an expert in child care policy and Adjunct Professor at the University of Guelph. Jane Bertrand deserves special mention and thanks. Jane is the Executive Director of the Atkinson Centre for Society and Child Development (CSCD) at the Ontario Institute for Studies in Education/ University of Toronto and very knowledgeable about the literature in many fields related to early childhood care and education. She did her best to make the authors more knowledgeable too.

Special thanks is due to those who—while not necessarily endorsing the contents of this study—provided financing to allow it to be produced. Thanks to the Social Development Partnerships Program of Human Resources Development Canada. Katherine Papanek and Ken Desjardins were flawless in support and encouragement as project officers for HRDC.

Finally, Jane Stewart, the Minister of Human Resources Development Canada has made an enormous contribution in opening the agenda in Canada to serious discussion about early learning and care. The children and families of Canada will long remember her efforts.

Gordon Cleveland
Michael Krashinsky

CHAPTER 1

The "children need full-time care from their mothers when they are young argument"

THE FORM OF THIS ARGUMENT IN THE PUBLIC DEBATE

Some people believe that nothing can substitute, even partially, for the care by parents when children are young. This is reflected in public statements about child care and about parenting:

> So, ultimately, the quality of day care in which the child is placed is irrelevant … From the child's perspective, this is first and foremost the place where he is abandoned by the person he desperately wants to be with … (Violato & Snow, 2000).
>
> Separation of young children from their parents has negative influences on their bonding, social and emotional development, behaviour, and also influences their ability to learn (Garry Breitkreuz, Canadian Alliance M.P., 1995).
>
> Social science confirms that children raised in day care centers and similar institutions are often emotionally maladjusted and mentally impaired (Andrew P. Thomas, *Wall Street Europe*, January 1998).

The young of many species in the animal kingdom can hunt on their own within a few weeks or months of birth. The young of the human species stay vulnerable and in need of protection and nurturing for a considerably longer time. It is usually not obvious to parents when infants can, without harm, be left with a supportive non-family caregiver for part of the day. So parents everywhere worry whether they are doing the right thing in going back to employment, in staying at home with the child, or in letting other family members or neighbours or trained caregivers care for the child. These uncertainties, together with the enormous financial and social pressures on families with newborn children, make for lively public debate about when (or if) mothers should return to employment after giving birth.

In Canada and the United States, some conservative women's organizations and "pro-family" organizations believe that mothers should stay at home full time to care for their children during the entire pre-school period. Those favouring this position want government policy to make this easier and often make proposals that the government should provide pay for women who stay at home. They lament the breakdown of the nuclear family and the changes in roles within the family. According to this view, the massive movement of women and especially mothers into the labour force since the 1960s has been fundamentally negative in its effects. They call for changes in government policy towards children, families, and child care that would return us to the cultural and social habits of the 1950s when most women stayed out of employment after the birth of children.

There are two matching halves to the argument that young children need their mothers full time. The first half addresses the essential role of the mother when the child is young. The second half focuses on the inadequacy of even the best non-maternal care when it regularly replaces that of the mother. Logically, the two halves are equivalent. After all, a mother could hardly be essential if she could be easily replaced. But because the argument is phrased both ways, we will deal with each half in a separate chapter. This chapter looks at the research that concentrates on the role of the mother and on what is, or is not, lost when she goes out to seek paid employment. The next chapter will examine the research that focuses on the effectiveness of child care and on whether child care can make a difference in the lives of young children.

Much of the public discussion about mothers' employment decisions when children are young is ideological. However, proponents of the view that mothers should stay at home do offer two arguments, one focusing on the child's social and emotional development, and one focusing on the child's cognitive development:

1. The attachment argument — The argument here is that when the bonds between mother and child are regularly broken by frequent separations during the pre-school years, the child is said to become insecurely attached to the mother (inadequate bonding), with long-term negative consequences for the child's development.
2. The employment argument — This argument is not completely distinct from the previous one. However, it is less oriented to psychology and focuses on time pressures. When a mother works during a child's early years, this argument suggests that the child will not get enough individualized and caring attention especially if a mother works full time. As a result, the child's cognitive development will be held back compared to children of mothers who stay at home.

THE ATTACHMENT ARGUMENT

The attachment argument is heard in many different forms. It may be suggested that babies who attend regular non-parental child care will experience these daily separations from their mothers as being a form of maternal rejection. It is expected that this will prevent complete bonding between the child and the mother. Or it may be suggested that mothers who spend large amounts of time away from their young children during the day will not be able to quickly adapt when they come home. As a result, these employed mothers will not be sensitive to the child's needs when they return, and the children will become distressed and insecurely attached.

The overall conclusion is that routine amounts of non-maternal care when the child is young will lead to insecure attachment of the child to the mother. Well-developed attachment with a mother is believed to be the foundation of secure emotional and psychological health. As a result, so this argument goes, these young children in non-parental care will bear emotional and psychological scars permanently affecting their development.

The attachment argument started life in the early 1950s with Dr. John Bowlby, a well-known psychiatrist. His work argued that children suffer when they are separated from their mothers throughout the pre-school years. Based on his research on children suffering traumatic separations (in hospitals, for instance), he believed that the attachment bonds between mother and child would be weakened if the child was cared for by other caregivers and that the child would suffer psychological damage. Generally, the research supporting this position is based on a procedure known as the "Strange Situation" developed by Mary Ainsworth, a student of Bowlby's.

By the early 1980s, the results of a number of studies on the effects of child care, mostly conducted in high quality child care centres, had led to a partial consensus that non-parental care begun by the 3rd year of life need not have adverse effects on psychosocial development and indeed, might well have positive effects. Jay Belsky was prominent amongst developmental psychologists drawing this conclusion (e.g., Belsky & Steinberg,1978; Belsky, Steinberg & Walker, 1982).

In the late 1980s, however, Belsky reconsidered the literature on possible negative effects of child care, this time focusing on infants. He partially reversed his previous approval of child care, and concluded, based on his review of four studies using the Strange Situation, that early non-maternal care in large doses could be negative for very young children. Belsky's work (for example, 1988, 1989, 1994) spawned an immense literature in popular magazines on "the problem with child care".

THE EMPLOYMENT ARGUMENT

The employment argument is less about attachment and more about the idea that mothers are just better than anyone else at providing socialization, emotional support and education for their own pre-school children. As a result, there is concern about the pressures on mothers' time if they decide to be employed in the paid workforce. This argument suggests that even though women may get fulfilment and income from employment, a mother's employment when a child is young will mean the child does not get enough vital parental time, love and attention. This, it is alleged, will harm the child's development, particularly cognitive development.

THE BOWLBY AND BELSKY ARGUMENTS IN MORE DETAIL

The argument that might be suggested by an oversimplified view of Bowlby's work—that children will be weakly attached to their mothers if they are not home with them throughout the pre-school years—is now voiced by few people. In fact, the majority of pre-school children experience a substantial amount of non-parental ECEC at some time before they go to school at age 6. This includes children who have a parent staying at home full time. At the time of the 1988 Canadian National Child Care Survey, fully 75% of children from 18 months to 6 years of age received some form of regular care outside their homes.

In the late 1980s, there was a surge of popular concern about child care's negative effects which was in part generated by Belsky's reconsideration of the issue in relation to infants less than one year of age (Belsky, 1988). Belsky reviewed the results of four studies in which the Strange Situation had been used and reported that the proportion of insecure responses (especially insecure-avoidant responses) was higher among middle-class infants receiving out of home care than those cared for by their parents at home (41% vs. 26%). In this laboratory procedure, the child is separated for a short time (3 minutes) from his/her mother in an unfamiliar context. As the child is reunited with the mother, the child's reactions are observed and recorded. Some children will respond in a warm manner. Others will be detached and apparently uncaring. Still other children will be angry, blaming the mother for the unwanted separation. Thus, researchers classify children into those who respond securely, avoidantly or resistantly. These latter two categories are considered to be insecurely attached. Belsky's analysis found that children who have experienced regular non-maternal care are more likely to respond insecurely in the Strange Situation.

DOES CHILD CARE HARM ATTACHMENT OF CHILDREN TO THEIR PARENTS?

Those who oppose public funding for child care have seized upon the Belsky hypothesis. If children are harmed when they are cared for outside the home, then public policy ought to concentrate on ensuring that this does not happen. However, more recent work on this issue suggests that although poor quality child care can harm children, good quality care has quite the opposite effect.

Other researchers could not reproduce the initial studies using the Strange Situation, which predicted harm to children. Controlled studies of good child care for pre-school children found that children were not, in general, harmed in their psychosocial development by daily short-term separations from their parents and indeed benefited in many ways from the experience.

The most recent and comprehensive examination of the effects of child care on children has come to different conclusions than Belsky did in 1988. This study, in which Belsky was a participating investigator, was carried out by the National Institute of Child Health and Human Development Early Child Care Research Network (NICHD). Over 1300 children were recruited at birth in ten different locations in the U.S. Infant-mother attachment was assessed at 15 months of age and data on many other child care and family variables, including child care and home care quality, was collected. Careful analyses indicated that neither the amount nor the quality of child care experience was related to the security of the infant-mother attachment for children in general. Insecure attachment was found to be a problem only when a series of different risk factors were combined for one family. It is only when poor quality care at home (mothers who are rated as less sensitive to the needs of their children) is combined with poor quality or excessive amounts of non-parental child care that infant child care has negative effects on the development of children (NICHD, 1997).

Poor quality child care may contribute to negative effects; the evidence also shows that good quality care benefits children. There is considerable evidence, especially from early intervention studies, that good quality child care can play an important role in protecting children from family-based risk. For instance, good quality child care appears to lessen the negative effects of poverty and maternal depression on the development of infants and older pre-schoolers (Shonkoff & Phillips, 2000).

Further, other investigations have failed to discern any significant relationships between early care experiences and compliance, aggression and problem behaviours (Howes, 1988; McCartney & Rosenthal, 1991; Prodromidis, Lamb, Sternberg, Hwang & Broberg, 1995). After a thorough review of the evidence on attachment and child care, the National Research Council and Institute of Medicine in the United States concluded that:

> [I]n sum, despite persistent concern about the effects of child care on the mother-infant relationship, the weight of the evidence is reassuring, with the possible exception of emerging findings regarding very early, extensive exposure to care of dubious quality." (Shonkoff & Phillips, 2000, p. 309).

Finally, we should recognize that the question mark raised about attachment applies primarily to children less than 1 year old. In the United States, with only a small amount of statutory but unpaid maternity/parental leave, many infants are in regular non-parental care early in the first year of their lives. For example, according to the NICHD study, 11% of mothers were back at paid work before their child was 1 month old; 55% were employed by 3 months, 71% by 6 months, 75% by 9 months and 78% by the time the child was 1 year of age. In Canada, the Employment Insurance program now provides one year of income-replacing maternity and parental benefits to families with a new child, with 15 weeks reserved for the mother and another 35 weeks that may be divided between mother and father. For countries like Canada, where families generally take nearly all the leave for which they are eligible, many fewer infants are in non-parental care at very early ages. In Canada, therefore, the discussion about whether mothers should stay at home is largely a discussion about the period after an infant reaches 1 year of age. But Belsky's research focused on children who were under 1 year of age. So his conclusions do not tell us much about the reactions of Canadian children whose mothers choose to enter the labour force.

THE EMPLOYMENT ARGUMENT

It is revealing that there is virtually no public discussion or public concern about the potential impact that fathers' employment has on young children. Fathers' employment is just taken as an immutable fact—a necessity for the financial support of the family. However, mothers' employment evokes a completely different reaction; mothers' employment is typically not viewed as a simple necessity to which private arrangements and social institutions will have to conform. In fact, concern about whether mothers should work when their children are young has been a hot-button issue for public debate for several decades.

The evidence suggests that questions about negative effects of mother's employment are (a) not large, (b) confined to when children are quite young, generally covered by maternity/parental benefits and leave in Canada, and (c) can be offset by using high quality child care. Further, the children of mothers who seek employment are in general, by cognitive and language measures, more advanced than the children of mothers who stay at home (thus children of employed mothers start with an advantage). More important still, the financial and social benefits to families from mothers' employment—due to increased family incomes and job security—can have long-term positive impacts on children.

Much of the public discussion about this issue is emotional and political, sometimes theological, and generally only partly rational. It is difficult to reach a balanced assessment in public discourse. However, there is now a considerable research literature on what happens to children's development when their mothers work outside the home.

CANADIAN EVIDENCE ON THE EFFECTS OF MOTHERS' EMPLOYMENT

The most recent Canadian evidence comes from work based on the National Longitudinal Survey of Children and Youth (NLSCY) which began collecting data in 1994–95. On balance, the evidence suggests that mothers' employment has no significant impact on children's outcomes.

J. Douglas Willms (2002) summarizes the evidence from the first round of data collection in this way:

> The results ... suggest that children whose mothers are at home are at increased risk of displaying cognitive difficulties during the early years, but this diminishes after their children enter school ... There are no apparent effects of either working or not

> working outside the home on children's behaviour outcomes. There is a trade-off: mothers who do not work outside the home have more time to be engaged with their child, and this has positive effects. ...But stay-at-home mothers generally have a lower family income, and thus their children do not benefit from some of the effects associated with increased income. Stay-at-home mothers also tend to be slightly more prone to depression, which can have detrimental effects on their child's development. ...On balance, there are minimal long-term effects of either working or not working outside the home. What matters most is that a child is cared for throughout the day by warm and responsive caregivers, in an environment rich with opportunities to learn. (p. 348)

The same data from the NLSCY has been analyzed by two economists from the University of Quebec at Montreal using different techniques. They concluded that:

> ...the most important predictors of cognitive scores, behavioural scores, and schooling achievements were the child's personal characteristics as well as maternal and family characteristics and not marginal variations in income or work decisions. ...Two of the important findings are positive. First parental work and maternal non-employment do not have statistically significant effects on cognitive outcomes of 4 to 5 year old children. Second, even if maternal full-time work is associated with higher levels of negative behavioural outcomes...of 4 to 11 year old children, these negative effects are small relative to the effects of other covariates. (Lefebvre & Merrigan, 2002, p. 164)

Unfortunately, the NLSCY has few details about the quality of care received by children outside the home. This is significant as research shows that how extra-family child care affects children when their parents are employed is strongly linked to the quality of the child care.

U.S. EVIDENCE

In general, the U.S. evidence has some limitations when considering the outcomes for Canadian children. As noted above, because of limited parental leave, most U.S. mothers return to work when their children are less than 1 year old. And much of the child care in the U.S. is of poor quality, below that of regulated Canadian facilities.

Results from the National Longitudinal Survey of Youth-Child Supplement in the U.S. have generally found negative effects of first-year maternal employment on children's later cognitive outcomes. However, none of these studies have been able to control for the quality of the child care settings used by the children studied, or the quality of the care they received at home. As a result, it is not possible to conclude that it is mothers' employment that produced the negative effects on children. There are two equally plausible explanations for these negative effects. One is that the average quality of child care used was sufficiently poor that children were negatively affected. The second is that employed mothers were, on average and independent of their decisions to be employed, less capable and sensitive in raising their children and that this harmed their children's development.

One data set in Canada or the United States that is both large enough and contains the right kinds of measures to permit a full examination of the issue of the effects of mothers' employment is the American data set collected by the National Institute of Child Health and Human Development (NICHD). This is a unique longitudinal data set that has followed 1364 children from 10 sites around the U.S. since they were born in 1991. The NICHD conducted home visits to the children's homes at 1, 6, 15, 24 and 36 months, supplemented by phone interviews every 3 months to track maternal employment and child care use. At four points in time before children were 3 years old, visits to and assessments of the quality of their child care arrangements were made. The children were assessed at home and in the laboratory several times and the quality of home care and of the mother's sensitivity in caring for her child were also assessed.

The effects of mothers' employment on child cognitive outcomes have been carefully assessed using this data set by Jeanne Brooks-Gunn, Wen-Jui Han and Jane Waldfogel (2002). Their findings are worth some close examination. The first thing to note is that the children of mothers who are employed in the first year of their child's life had, on average, higher cognitive scores than did children of mothers who stayed at home. This is not a statement of cause and effect; rather it is possible that mothers who had higher scoring children were more likely to seek and find employment early in their child's life (i.e., mothers with more education, more language skills, etc.)

Second, even though this study eventually did find negative effects of mothers' employment:

- These effects only refer to children of mothers who went back to employment at or before the child was 9 months old. In the NICHD data set, 11% of mothers were back at paid work before their child was 1 month old; 55% were employed by 3 months, 71% by 6 months, 75% by 9 months and 78% by the time the child was 1 year of age.
- The size of the negative effect of mother's early employment on children is about 5 to 7 percentage points on the Bracken School Readiness test. To put this in context, the same NICHD study found a negative effect of about 12 percentage points when the child had older siblings, a negative effect of about 10 percentage points if the child was male rather than female and a positive effect of about 2 1/2 percentage points for every extra year of mother's education. The study also found the surprising result that there was a negative effect of about 7 percentage points on the test when the child came from a two-parent rather than a single-parent family.
- The study found that any negative effects of employment could be offset by participating in good quality child care and/or by increased sensitivity of care provided while the child is at home evenings, weekends etc. Changing from a below-average quality child care arrangement to an above-average quality child care arrangement has approximately the same size positive effect as early employment has a negative effect. Similarly, a change in mother's sensitivity of care at home from below the median to above the median can improve school readiness by about 5 percentage points.

WHAT SHOULD WE CONCLUDE ABOUT INFANTS, MOTHERS' EMPLOYMENT AND CHILD CARE?

Our balanced assessment of the evidence about child care and infants yields several conclusions:

1. Children need love and support by adults who are consistently in their lives. They need socialization, cognitive stimulation and association with peers. In general, they can get this in a number of environments and with different combinations of caregivers, as was always the case in other generations and other countries. As children grow, a mix of parental and good quality non-parental care is desirable. The key issue is the quality of the care, which should be a continuing concern of public policy.
2. The biggest concern about negative effects of non-parental care on infants comes from the United States. But the U.S. is out of step with most of the rest of the developed world. It is one of the few countries that provides no guaranteed social support to new mothers in the form of paid maternity/parental leave. Generally, countries that fund early childhood services also provide for a significant period of maternity and parental leave, during which parents can stay at home and bond with their infants. The optimal period for parental leave is not obvious but it is clearly not as limited as the U.S. practice would suggest.
3. Family policy needs to make it possible for the needs of the child to be met while parents are employed. This will include provisions to ensure accessibility to good quality early childhood education but will also mean support and encouragement to parents through family-friendly employment arrangements. This implies special family leave arrangements to care for ill children; it may mean making changes so as to give priority to the needs of families in determining work hours and work patterns, etc.
4. It should not be necessary for mothers to avoid having children in order to participate in social life without discrimination. There are consequences of having children which parents have to bear. Children are expensive to raise and require much time from parents, and in our society, particularly from their mothers. These are real costs which parents accept. But there is considerable evidence that the unequal position of women in our society is rooted in their preponderant responsibility for rearing children. This should not be. Part of this can be alleviated by changes in private arrangements between men and women. Society will be more equal if the roles of women and men in caregiving and responsibility for children become more equal. The other part is public support of various kinds to families and to early childhood education services. Public support of early childhood education and care will help encourage the ongoing transition in household roles between fathers and mothers.

SUMMARY OF THE ARGUMENTS

Opponents of child care argue that young children need to be cared for full time by their mothers for some years. They repeatedly cite the same research that presumably supports this point of view. But we conclude that the best research finds no harm to children who are cared for outside their families when their mothers work, especially when we consider children whose mothers return to work when the child is over 1 year of age. We can summarize the arguments for this position as follows:

- Jay Belsky is a prominent developmental psychologist who states that a child who experiences substantial amounts of child care especially in the 1st year of life is more likely to be insecurely attached to its mother. This primary attachment bond is believed to be of key importance to the early development of the child.
- The most recent and comprehensive study to look at the evidence (the NICHD study) found instead that this negative role of child care for infants only occurs when extensive or poor quality child care is combined with insensitive maternal care. Other evidence suggests that good quality child care in fact plays an important role in insulating the child from family-based risk.
- Since Canada now offers a full year of paid maternity/parental leave to many employed families, the prevalence of extensive child care for infants less than 1 year old is much lower in Canada than it is where these research findings originated-in the United States.
- Beyond these concerns about infant-mother attachment, there are other research findings, particularly in the U.S., suggesting a negative impact of a mother's employment during the first year of a child's life. Most of this research has been based on the National Longitudinal Survey of Youth—a study with no information about the quality of extra-family child care that young children receive, and no information about the sensitivity and general quality of care that young children receive at home. As a result, it has not been possible to determine whether the negative effects of employment were actually due to the poor quality of non-parental child care used or perhaps to the poor quality of care provided in the home.
- The National Institute of Child Health and Human Development (NICHD) study has made a major contribution to sorting out this puzzle because it has provided information on the quality of care inside and outside the home. Jeanne Brooks-Gunn, Wen-Jui Han and Jane Waldfogel have found that there are negative effects on school-readiness tests at age 3 of mothers' employment before the child is 9 months of age, even after controlling for these other factors. The negative effects are important but can be offset by the positive effects of good quality early child care or more sensitive care in the home. To put the magnitude of these negative effects of mothers' employment in context, they are considerably smaller than the negative effect of having an older sibling, or of being a male rather than a female child.
- As all parents know, raising a family is a balancing act, particularly when children are quite young. Public policy should be directed at making work and family more compatible—by increasing the support for all families with very young children, by making good quality child care more affordable to families who need it, and by making maternity/parental benefits and leave available to families who are currently ineligible.

CHAPTER 2

The "child care will harm children" argument

THE FORM OF THIS ARGUMENT IN THE PUBLIC DEBATE

Some groups and individuals believe that child care is, in general, harmful for children's development. This view is based on studies which appear to show that non-parental child care has a negative effect on children, and that children cared for exclusively at home do better socially and cognitively, both immediately and in the long run. The conclusion, which is argued by some newspaper columnists and on radio and television phone-in shows, is that mothers who use non-parental care for their children may enjoy financial gains from work but their children will suffer developmentally.

In chapter 1, the argument was that children required full-time care by their mothers and the evidence dealt with what happened when some of that care is replaced. This chapter addresses the other side of the coin. What are the effects of child care on children's development?

A GENERAL STATEMENT OF THE EVIDENCE

Good child care matters. Harm is done to children when child care is inadequate, while good child care and good early education benefit children. These issues are not simply interesting research questions for investigation by academics. In our 1998 monograph (Cleveland & Krashinsky, 1998), we proposed significant increases in public spending on child care. A good part of the justification for that spending was the improvement in outcomes for children when the quality of early childhood education and care is improved.

The best available evidence strongly suggests that good quality child care is beneficial for children's development, both for the cognitive/language/academic skills of children and for the social behaviour of children in the family and in the classroom. This should hardly be a surprise. It is universally accepted in Canada and elsewhere that, once children reach 5 years old, group education provided by well trained teachers with significant learning resources at hand will have strong positive impacts on young children—impacts large and positive enough to be worth the expenditure of billions of dollars of public money. Furthermore, all the evidence suggests that the first years of education have more impact than later years. The natural implication is that good quality early childhood education and care, provided to children 3, 4 or 5 years of age (or even younger) will have strong positive effects as well.

THE EFFECTS OF CHILD CARE ON DISADVANTAGED CHILDREN

A major area of research on early childhood education and care has been concerned with its effects on children from low-income families. Overwhelmingly, these studies have found that good quality child care can have very positive effects on these children and that these advantages can be long lasting. In particular, good child care can compensate, at least partially, for a disadvantaged home life.

Of course, our main concern is not with disadvantaged children, but rather with all children. Still, it is worth taking a look at the literature on child care and disadvantaged children, partly because it provides a sense of the breadth of effects possible when young children are well cared for. Researchers have calculated the benefits and costs of providing child care services to these children, which gives us a good idea of the magnitude of the positive effects of good quality child care.

We will focus on two programs: Head Start and the Carolina Abecedarian Project.

THE HEAD START PROGRAM

Most of the studies of child care used by children from low-income families involve small samples of children and specially-designed high-quality child care intervention programs. Studies of Head Start are particularly interesting because this is not true; Head Start is a widespread program with less exact controls over quality than in one-shot model programs. As a result, positive results that are found in research on Head Start are very unlikely to be due to chance factors. Head Start programs in the United States have provided half-day programs for low-income children (at 3 to 4 years of age) since the 1960s. These programs now provide early childhood services, including parent support and health monitoring to over 800,000 children per year.

One of the most careful of the studies on Head Start is reported in the Currie and Thomas paper *Does Head Start make a difference?* that was published in 1995 in the prestigious *American Economic Review*. This is an innovative study of Head Start's impact using data on siblings from the National Longitudinal Survey of Youth. By comparing one sibling who had participated in Head Start to another within the same family who had not, Currie and Thomas were able to hold constant many family-type factors that could otherwise be mixed-up with the effects of the Head Start program. They controlled statistically for a wide range of background factors and found that white children who had attended Head Start showed dramatic improvement in language skills and success in school (up to Grade 5). Head Start caused a 6 percentage point increase in PPVT (Peabody Picture Vocabulary Test) scores and a 47% decline in grade retention. Surprisingly, although the story started out the same for African-American children, these positive effects had disappeared by the time of Grade 5.

Currie and Thomas calculated that the measured increase in language abilities and drop in grade retention for white children (who form the majority of Head Start's clientele) could result in an increase in expected future wages by 4%, and a decrease of 5% in the likelihood of dropping out of high school. Using these rough calculations, they concluded that potential gains from Head Start are "much larger than the costs".

In a later study entitled *School quality and the longer-term effects of Head Start* (Currie & Thomas, 2000), the authors found an explanation for the poorer performance of African-American children who attended Head Start. The initial positive effects of Head Start for these children were offset in later years because many African-American children attended poorer quality neighbourhood schools.

In a recent working paper for the National Bureau of Economic Research in the U.S., Garces, Currie and Thomas (2000) investigated the longer-term effects of Head Start. They used data on young adults (in their 20s) who had attended Head Start in the 1960s and 1970s from the nationally-representative data in the Panel Study on Income Dynamics. This paper, entitled *Longer term effects of Head Start*, found long-run positive effects of early attendance in Head Start on education for whites (20% more likely to complete high school, 20–28% more likely to attend college), and reduced participation in undesirable behaviours for African-Americans (12 percentage points less likely to participate in criminal activity), holding all other factors constant. These are remarkable long-term effects of a program that obviously changed the path of development of many young children.

THE CAROLINA ABECEDARIAN PROJECT

The Carolina Abecedarian Project was an intensive experiment that provided full-day child care 5 days a week for 50 weeks a year to very low-income, at-risk children. For many children, child care began at 6 weeks of age. The experiment involved 112 children, mostly African-American, whose family situations were believed to put them at risk of slowed development. On average, mothers in experimental families had 10 years of education, maternal IQ was 85 points, and 55% of households were collecting social assistance.

The project studied four groups of randomly assigned children. The first group—the control group—received only family support services, paediatric care and child nutritional supplements. The first "treatment" group received high

quality centre-based child care services for the first 5 years of the child's life and additional educational support services from kindergarten to Grade 2. The second "treatment" group received only the five years of early intervention child care. The third "treatment" group received only the kindergarten through Grade 2 educational support services.

Early intervention child care services had positive effects on IQ scores, on academic achievement and on the likelihood that a child would not be held back from passing a grade. The comparison group of similar children who only received education support after reaching school age did not have the same positive effects. The study found that for these children from disadvantaged families, the effects were larger the earlier participation in child care services began (Ramey & Campbell, 1987; 1991). Children who had participated in the program during the first 5 years of their lives had higher scores on tests of reading and mathematics achievement at 8 and 12 years. They were less likely to be held back from promotion to the next grade at ages 8, 12 and 15 and were less likely to be placed in special education.

The latest follow-up to 21 years of age shows that children who attended full-day child care had higher average test scores and were twice as likely to still be in school or to have ever attended a four-year college. The National Institute for Early Education Research has recently published (Masse & Barnett, 2003) a benefit-cost analysis of the Abecedarian Early Childhood Intervention that reveals how broad and long-lasting the effects of this program have been. Masse and Barnett report a range of measures that deliver important benefits to participants and the community:

- improved measures of intelligence and achievement over the long term leading to higher earnings and fringe benefits now and in the future;
- lower levels of grade retention and placement in special education classes leading to cost savings in elementary and secondary education;
- improved employment and earnings of mothers of the children receiving early childhood education services;
- reduced probability of smoking and improved health;
- reduced use of social assistance.

The costs of providing intensive high quality child care in the Abecedarian program were high. For infants, there was one staff member to every three children; for 2 and 3 year olds, there were two staff members for every seven children; for 4 and 5 year olds, the ratio was one to six. All staff were paid competitive public school salaries. As a result, in 2002 dollars, the annual cost of care per child was nearly $14,000. Nevertheless, the value of the benefits, discounted back to the present, was found to be considerably higher than the costs. At a discount rate of 3%, the benefits were about four times as high as the costs.

CONCLUSIONS

The literature on how child care affects the social and cognitive development of disadvantaged children has been carefully reviewed by several authors (Karoly et al., 1998; Love, Schochet & Meckstroth, 1996; Lamb, 1998; Currie, 2000; Barnett, 1998). In the review prepared for the Rockefeller Foundation, Love and his colleagues wrote, "the preponderance of evidence supports the conclusion of a substantial positive relationship between child care quality and child well-being. Evidence for this relationship encompasses multiple dimensions of quality and diverse indicators of children's well-being" (p. 3). Lamb's review concluded that: "Quality day care from infancy clearly has positive effects on children's intellectual, verbal and cognitive development, especially when children would otherwise experience impoverished and relatively unstimulating home environments." (p. 104). The conclusion from this literature would appear to be that for children from disadvantaged families, exclusively parental care is often insufficient for their developmental needs. These children can be made better off by involvement in well-designed supplementary child care programs, and the effects are long lasting.

THE EFFECTS OF CHILD CARE ON ALL CHILDREN

Because of the interests of researchers and the availability of funding, many of the early American studies of child care and especially the ones that follow children for many years concentrated on children from low-income backgrounds. However, more recent studies on groups of children from a mix of different backgrounds using regular child care services appear to have found similar results, especially if the studies are able to identify better quality programs. There are a number of ways of identifying better quality programs, and different studies use different methods. Developmental psychologists and child care researchers agree that measures of process quality—which assess both the quality of the child care environment in which children play and learn, as well as the quality of the teacher-child interactions--are the best way of measuring the features of a child care service that will promote child development.

Process quality is measured by trained observers, following carefully developed guidelines; in on-site observations of child care activities. Two well-known process quality measures are ECERS (Early Childhood Environment Rating Scale) and ITERS (Infant-Toddler Environment Rating Scale), although there are a number of other alternatives or supplementary measures. A specially designed quality measure which allows for quality comparisons across different types of care, including both informal and regulated care, is known as the ORCE (Observational Record of the Caregiving Environment).

Research on the effects of child care quality on children's development is not easy to do. The research is difficult because there are a very large number of factors that will affect any child in his or her development over the course of childhood and into adult life. In order to find out what the separate contribution of child care is to a child's life, we need to be able to hold all these other factors constant, change the type or amount or quality of non-parental child care that a child receives, and then watch for and measure the effects of this experiment on the child's development. Further, because children are not randomly assigned to different quality levels and types of child care, statistical work needs to account for what are called "selection effects".

THE NICHD STUDY

The best study to date of the general effects of child care on all children is the one sponsored by the National Institute for Child Health and Human Development (NICHD) in a study that is still ongoing. This is virtually the only large and longitudinal data set to collect three crucial pieces of information over time: (1) regular on-site measurements of the quality of different kinds of child care used by children, (2) regular assessments of the kind and quality of care children are receiving from their families, and (3) detailed information about the changes in child care arrangements as children age. These items, together with detailed assessments of child outcomes and a host of child and family information, makes this data set unique for looking at the long-term effects of child care on children.

Mothers in ten different centres around the United States were approached in hospitals shortly after they had given birth and were asked to participate in this study. The final sample of about 1300 children and families has provided an enormous amount of data from the very beginning of these children's lives, and the data collection is still continuing.

The study is unique in a number of ways. It has regularly collected (at 6 months, 15 months, 24 months and 36 months) good measures of the quality of non-parental child care the child received, no matter what the type or location of this care. Phone interviews were collected every 3 months to track hours and types of child care. The NICHD study also collected detailed information about the quality of care provided by mothers to their own children (using the HOME scale as well as an assessment of mother's sensitivity based on videotaped observations of mother-child interaction). The mental development of children was assessed at 15 months and 24 months using the Bayley scale, the most widely used measure of cognitive developmental status for children in their first 2 years of life. At 36 months of age, school readiness of children was measured using the Bracken School Readiness Scale, a scale that assesses knowledge of colour, letter identification, numbers and counting, shape recognition, and ability to make comparisons. Further, expressive language skills and receptive language skills were measured at 15 and 24 months using age-appropriate versions of the MacArthur

Communicative Development Inventory (CDI) and at 36 months using the Reynell Developmental Language Scales. On top of that, detailed information about family characteristics and changes in family characteristics over time were collected.

The general conclusion is that the quality of child care matters. Overall, average outcomes for the children in child care were about the same as those for children cared for exclusively by their parents. But there is a wide range of child care quality in the study. Children in good quality child care did significantly better than children in poor quality child care arrangements. How were these results obtained?

When children were 36 months of age, the researchers in the NICHD Early Childhood Research Network analyzed the effects of child care on children to that date. The analyses (NICHD, 2000) controlled for two different measures of the quality of maternal care provided at home, for the child's gender, for the mother's vocabulary level, for family income, and for type, amount and quality of child care used since birth. Holding this wide range of factors constant, this study found that the quality of non-parental child care mattered to virtually all measured child outcomes at 15, 24 and 36 months. In general, the higher the quality of care received, the better children did on measures of cognitive functioning and language development. In particular, it was the language stimulation by caregivers that had significant positive effects on cognitive and language outcomes of children.

Further, in analyses that controlled for maternal vocabulary, family income, measures of the quality of care at home and child's gender, the effects of child care quality were compared to the effects of care provided exclusively by mothers at home (defined as receiving less than 10 hours per week of non-maternal care). In language skills assessed at 24 months and in school readiness assessed at 36 months, the children who had received high quality child care scored significantly better than children who had only received care from their mothers. On virtually all measures, children in high quality care scored better than those from exclusively maternal care. Those in low quality child care scored worse, although these differences were not always statistically significant (NICHD, 2000).

Does this mean that mothers' care is bad for children? Not at all. The results of the research done with that data so far show that the quality of child care and the quality of home care are both highly significant in affecting child development (with home care's effects being about twice as large as those of child care). The quality of child care affects all measures of development at different ages.

What this means is that good quality early childhood care, even for children before their third birthday, generally has positive effects in supplementing care provided at home. That's not true for all and any out-of-home care. In fact, taking all children with child care experience together and comparing them to all children in exclusively maternal care, this research suggests that "children in exclusive maternal care did not consistently differ from children in non-maternal care." (NICHD, 2000, p. 976). This conclusion is important: it suggests that research looking only at the effects of "child care" on children (without any measures of the quality of care) is highly likely to find no effects on average. However, good quality child care will have important positive effects on young children.

Another noteworthy result of the ground breaking NICHD study is that both non-disadvantaged children, and children from low-income or disadvantaged families showed gains in outcomes when the quality of child care increased. Once the quality of home care is controlled, children from all backgrounds benefit similarly from good quality early care. This finding suggests that research evidence on the positive effects of early childhood education on disadvantaged children applies more broadly to all children.

OTHER STUDIES

Many other studies tend to confirm the NICHD results. For instance, the Cost, Quality and Child Outcomes Study (Helburn, 1995) studied child care in the classrooms of about 400 child care centres in four states—California, Colorado, Connecticut and North Carolina. The original study provided information about the immediate effects of child care on

children. A sub-sample of these same children was followed through two years of child care, through kindergarten and to the end of Grade 2 at school (Peisner-Feinberg et al., 1999). Children were assessed for receptive language skills, reading ability and math skills, cognitive skills, sociability, and problem behaviours. Controlling statistically for maternal education, child's gender, ethnicity and the quality of teaching at the elementary level, researchers assessed the relationships between child care quality at age 4 and children's developmental outcomes after Grade 2. Children who were enrolled in higher quality child care classrooms were found to have better receptive language skills in pre-school and in kindergarten, although these results were no longer statistically significant in Grade 2. Higher quality child care was associated with better math skills before school entry and right up through second grade.

Andersson's study of Swedish children in 1992 provides information about the long-term cognitive and social effects of a uniformly high quality early childhood education and care system on children. The originally published study, when children were 8 years old, was based on a sample of 128 families drawn from low- and middle-resource areas of Sweden's two largest cities. A follow-up study, when the children were 13 years old, controls statistically for family background, gender of the child, child's native intelligence, and child's achievement at 8 years old. With these factors controlled, the earlier a child entered child care, the stronger the positive effect on academic achievement at 13 years old. For children entering child care in their second year of life or earlier, the academic benefit was found to be an improvement of between 10–20% in academic performance at age 13, compared to children cared for exclusively at home. Andersson's (1992) conclusion was that "early entrance into day care tends to predict a creative, socially confident, popular, open and independent adolescent" (pp. 32–3).

The following summary from *Neurons to neighbourhoods: The science of early childhood development* (Shonkoff & Phillips, 2000) is worth quoting because it presents a balanced assessment of the effects of child care quality and indicates some of its key features. The assessment is based on critical review of a wide range of recent studies:

> In sum, the positive relation between child care quality and virtually every facet of children's development that has been studied is one of the most consistent findings in developmental science. While child care of poor quality is associated with poorer developmental outcomes, high quality care is associated with outcomes that all parents want to see in their children, ranging from co-operation with adults to the ability to initiate and sustain positive exchanges with peers, to early competence in math and reading … The stability of child care providers appears to be particularly important for young children's social development, an association that is attributable to the attachments that are established between young children and more stable providers. For cognitive and language outcomes, the verbal environment that child care providers create appears to be a very important feature of care (pp. 313–314).

HOW DO WE RESPOND TO STUDIES THAT APPEAR TO REACH OPPOSITE CONCLUSIONS?

There are three groups of studies that conclude that child care does not have long-term positive effects on children. Each has its own problems. These are:

- studies that do not have data on the level of quality of child care,
- studies that find that the effects of child care "fade out",
- studies that find that "quality doesn't matter".

STUDIES THAT DO NOT HAVE DATA ON THE LEVEL OF QUALITY OF CHILD CARE

There are a number of studies (see Blau, 1999; Lefebvre & Merrigan, 2002; Blau & Grossberg, 1992; Hill & O'Neill, 1994; Ruhm, 2000) that find that child care has no effect on children's cognitive, or other, abilities. Inevitably, these studies have no information about the quality of child care (or the quality of care by parents). Not all child care is good; in fact, the average quality of child care in North America is mediocre or worse. Studies that mix together different qualities of child care will only find positive effects if the quality of child care is particularly good on average (e.g., Sweden, Denmark) or if the quality of parental care is particularly poor on average. In North America, most of these studies find no substantial effects of child care when different qualities are mixed together.

STUDIES THAT FIND THAT THE EFFECTS OF CHILD CARE "FADE OUT"

Some researchers believe that the strongly positive effects of early intervention programs on disadvantaged children will "fade out" over time. To a large extent this view is inappropriate. Many early studies of early intervention programs did apparently find that effects on academic achievement were less pronounced in higher grades for children who had been involved in early childhood interventions. However, Steven Barnett from Rutgers University (1993, 2002) has shown that many of these findings are biased by measurement technique. Classroom testing of treatment and control groupings often excluded children in special education classes. Since more of the control group were in special education, this gave the misleading appearance that academic advantages of the early intervention children were diminishing. Barnett's interpretation is made more credible when we notice that the same children did not experience "fade out" when their development was measured by grade retention, participation in special education classes, and similar measures. Of course, some decrease over time in the positive effect of early childhood experiences is not surprising in cases where the children have strongly negative schooling or social experiences later in life (Currie & Thomas, 2000; Brooks-Gunn, 2003).

STUDIES THAT FIND THAT "QUALITY DOESN'T MATTER"

Sandra Scarr, has concluded, on the basis of several studies (Chin-Quee & Scarr, 1994; Deater-Deckard, Pinkerton & Scarr, 1996), that variations in the quality of child care have no substantial short- or long-term effects on children. She has written "[w]idely varying qualities of child care have been shown to have only small effects on children's concurrent development and no demonstrated long term impact, except for disadvantaged children." (Scarr, 1998, p. 95). These surprising findings may be explained by the relatively poor data on quality collected in these particular studies. Only one measure of quality was collected during the pre-school years of each child, even though the typical child switched child care arrangements fairly frequently. This relatively poor measure of child care quality was not significant in explaining children's academic performance in school (see Vandell & Wolfe, 2000, pp. 27–29, for a discussion).

SUMMARY OF THE ARGUMENTS

Non-parental child care is now second only to the family as an environment in which the early development of children unfolds. It is often the setting in which children first learn to interact with other children on a sustained basis, first interact with children from other cultures, establish bonds with adults other than their parents, and receive language stimulus outside the family context. The positive or negative impacts of child care on children are of extraordinary importance to children, families, and society as a whole.

Those who oppose public spending on child care argue that child care is bad for children and that extra money spent on child care is wasted because good child care is no better than bad child care. We respond to these arguments in the following ways:

- We already know that a child's early years in school are the most influential school years. We should draw lessons from the increasing volume of evidence that the pre-school years are as important or more important in establishing the child's course of early development and learning.
- Head Start enrols over 800,000 low-income children each year in the U.S. in part-time pre-school programs at age 3 and 4. The best evidence finds strong positive effects on language and school performance through Grade 5 for white children. Initial positive effects on language abilities that disappear amongst black children by Grade 5 are because of the poor quality public schools they attend. The strong positive effects are found to continue for at least 20 years as children grow up affecting high school completion and enrolment in college.
- The Carolina Abecedarian experiment provided full-day enriched child care from infancy through age 5 to children from high-risk, low-income families. The positive effects on children's cognitive abilities, schooling, future earnings, improved health, and the increased earnings of their families delivered benefits up to four times higher than the costs of this intensive program.

- The large and pathbreaking study by the National Institute for Child Health and Human Development (NICHD) has found that good quality non-parental care generally has positive language and cognitive effects on children from all backgrounds up to and including age 3 (the study is still continuing). The message is twofold. First, quality of child care matters—to virtually all developmental outcomes and no matter what the child's situation or background. Second, good quality child care together with parental care at home is better than simply parental care on its own. Of course, the nature of a parent's care for the child (sensitive and supportive, or not) matters more to the child's development. And good quality child care can only partially offset the negative effects of poor family functioning. But the supplementary developmental effects of good quality child care are positive and important given the prevalence of child care use in today's world.
- The recent comprehensive review of research on child development by a committee of experts set up by the American National Research Council and Institute of Medicine (*Neurons to neighbourhoods: The science of early childhood development*) finds that high quality child care "is associated with outcomes that all parents want to see in their children, ranging from co-operation with adults, to the ability to initiate and sustain positive exchanges with peers, to early competence in math and reading."
- There are a number of studies that may appear to contradict these conclusions about the strongly positive cognitive and social effects of good quality early childhood care and education on children from all backgrounds. Most of them, when looked at more closely are found not to have the appropriate data to make a judgement about the effects of child care quality. Many have information about child care use but are unable to distinguish good from bad quality care. Others have information about quality but only from a single point in time thoughout the child's entire pre-school experience. There are also methodological or interpretation problems with the findings that the initial positive cognitive impacts of child care "fade out" over time.
- The overall message is not that good quality early childhood care and education is a silver bullet that can cure all problems. Family factors are more important than child care: a good, caring, supportive family situation will have decisive and positive developmental impacts on a child. However, family situations are complex and difficult to alter with public policy; extra income has only marginal effects. It is possible to radically improve the typical quality of non-parental child care situations using public policy, and the evidence shows that this would have strong positive effects on the lives of most children.

CHAPTER 3

The "families should pay for their own children" argument

THE FORM OF THIS ARGUMENT IN THE PUBLIC DEBATE

This particular argument against child care is not usually phrased in as blunt a fashion as suggested by the chapter title. Yet something like this often underlies opposition to public intervention. Stripped of the phrases and terms that are often used to soften this argument, it amounts to a position that what goes on between parents and children is essentially private. In this view, the decision to have children is a consumption decision—no different than the decision to buy a fancy car or a country home. Some families choose to have one or two children; other families have more children; some families have no children. All of these are of course permissible choices. But because the choice is essentially private, the natural next step is to argue that society ought not to play any role in the subsequent decisions on how to raise those children. If parents have children because they derive satisfaction from them, then why should others in society be asked to pay for the costs of caring for and educating these children?

Critics who take this approach will usually concede that the children of the poor (often children in single-parent families) must be provided with some child care. This is especially true for those who believe that encouraging poor mothers to enter the labour force is important. Thus, it is no accident that the first significant public funding for child care occurred through the Canada Assistance Plan in the late 1960s and was limited to children in need or likely to be in need. But the general principle suggested in the chapter's title does not permit an extension of that funding to parents and children whose economic needs are not extreme. If children are essentially a private concern, then why should Canadians pay for child care or early education for children in Canadian families with average incomes or higher?

A statement by Lee Morrison, a Reform Party Member of Parliament in 1996 illustrates this point of view:

> What does subsidized day care mean to you? I will tell you what it means to me as a country boy. It means that a professional couple in Toronto can load their child into a BMW and take it to the Silver Spoon Happy Centre for Lucky Tots (House of Commons debates, November 21, 1996).

This kind of argument mirrors much of what is taught in economics courses and is effectively reflected in the ways in which most people in business and politics think about the economy and about government involvement in that economy. They believe that consumers—all consumers, including the poor—are made better off when government allows markets to function relatively freely; that public funding is inherently wasteful and interferes with the efficient functioning of markets; that private decisions about private goods encourage productivity and efficiency.

BUT ARE CHILDREN A PRIVATE LIFESTYLE CHOICE?

However children are not simply a consumption or lifestyle choice made by their parents and of no concern to anyone else. Society has always had a deep and abiding interest in children. Children are the way in which parents reproduce themselves, but they are at the same time the way in which a society reproduces itself. These two interests are not contradictory: parents want to raise healthy productive children, and as a society, we all want much the same thing.

Thus, parents have a primary interest in the care of their own children, but there is also a public concern about what happens to children. Canada will remain a strong vibrant country only to the extent that our children are well-cared for and are well-prepared for the challenges that will face them. All Canadians stand to gain when there is a well-trained and prosperous workforce able to pay taxes and support our social programs. All Canadians stand to gain when children are well-educated and able to take on the responsibilities of citizenship.

The emphasis on child care as a good economic investment resonates well with most Canadians. The obvious analogy is the one with public education. Even though society has always believed that parents are the primary caregivers for their children, society has also found it necessary to ensure that all children receive a good education. This goal has been achieved by providing free high-quality public schools for all children. Recent research emphasizes that dollars spent educating very young children are even more productive than those spent on school-age children. Yet Canada currently spends less than $1 on pre-schoolers for every $40 spent in the education system, despite the fact that a child in full-time child care would spend almost as much time in child care up to the age of 5 as the child will spend in elementary and secondary school combined (Friendly, Beach & Turiano, 2002). Efficient use of public dollars leads one to conclude that more should be spent on the early education that is part of good child care.

In sum then, the reason why the "rest of us" should care about what happens to young children when their mothers and fathers are employed is that the outcome has significant implications for the welfare of all Canadians. By supplementing the dollars that parents can afford to spend on their children, we make those children and, by implication, their parents better off. But we also make all other Canadians better off-both because of the benefits to the country today when parents are employed, and because of the benefits to the country in the future when children become adults, look for their own jobs, and otherwise participate in the life of the nation.

THE ECONOMIC VERSION OF THIS ARGUMENT FOR GOOD CHILD CARE

Since the argument that the rest of society should not intervene in the private decisions of parents about child care seems to rest on economic logic, it would make sense to look at whether this is what economists in fact do argue. Although economists suggest that most markets work efficiently when left alone to do so, there is also an extensive economic literature on when this logic does not apply. Child care fits much more naturally into the category of markets that require government intervention and not into the more general category of markets that can function more or less independently.

Economists believe that individual consumers make decisions about what to purchase in effective and efficient ways. When an individual chooses to purchase an apple instead of a pear, it is because apples make the individual better off than pears. Were the government to try to affect this decision (by subsidizing pear consumption, for example), it would cause a "bad"—that is, inefficient—decision to be made. It is therefore inefficient for the government to become involved to alter the decisions that individuals make about goods like apples and pears.

What has this got to do with child care? Parents decide whether or not to seek employment and how to care for children. If these decisions are like the decision about apples and pears, then the conclusion about the inefficiency of government involvement follows directly. According to this logic, when a parent decides whether or not to enter the labour force, she does so with the full knowledge of what will benefit her and her family. Similarly, when the employed parent decides on how her children should be cared for, she does so with the full knowledge of how that decision affects both her and her children. If we argue that mothers and fathers make the best decisions, then any government intervention will lead to economic inefficiency.

Most business leaders and politicians intuitively accept the primacy of the market in our society. They are suspicious of arguments that suggest the government should intervene because they suspect that these arguments often arise out of self-interest: all kinds of producers come to the government with their hands out whenever economic conditions penalize them (or even when they are doing well, eager to be doing even better!); all kinds of consumers come to government with hands out asking for subsidies. Although these handouts certainly benefit the recipients, they reduce overall productivity and make the economy generally worse off.

As economists, we are somewhat sympathetic to this argument. The markets for apples and pears work quite well because consumers are familiar with both products and understand their own tastes for them based upon years of experience buying fruit. Apples and pears are provided by a large number of independent producers, and competition forces prices down pretty close to the cost of producing the fruit and getting it to market. Thus, prices communicate to consumers the true

costs of producing the two commodities, and consumers make decisions about how much of each to buy based on these prices. Governments do not have to decide what to produce because individual consumers can make those decisions themselves.

The economic efficiency of markets depends on a number of strong assumptions. Consumers must be rational and have full information about prices and quality. They must understand how products work and what benefits they provide. Furthermore, producers must compete. Most important, all benefits must accrue to the purchasers so that the decisions that they make perfectly represent the greatest benefits to society. This last assumption clearly applies to apples and pears. When consumers eat these fruits, it is they who benefit from the taste and nutrition. This assumption is expressed technically by stating that apples and pears are *private* goods.

These assumptions are all quite strong and seldom apply to the absolute extent required by pure theory. However, as long as the assumptions are violated in relatively small ways, markets function fairly well, especially when supported by small interventions by governments. There remain a minority of markets in which the assumptions are violated in serious ways. There is an extensive literature in economics that describes these violations using the term "market failure." What interests us as economists is that virtually all of the standard arguments in favour of child care can be expressed within this framework. This framework also has the additional virtue of being consistent with the underlying ideology of most policy makers and analysts.

We argued in our monograph *The benefits and costs of good child care* (Cleveland & Krashinsky, 1998) that child care represents a clear case of market failure for two distinct reasons. First, good child care provides large and significant benefits to society beyond those accruing to the parents making the child care decision. This is obviously not true for apples and pears. When I bite into a fresh apple, the benefits accrue only to me: I taste the apple, not anyone else; I derive the nutritional benefits from the apple, not anyone else. There may be small additional benefits to the rest of society if apples make me healthier. But because I derive the largest portion of the benefits from a wise choice in what to eat, I have an incentive to make the correct decision on how many apples to buy. As discussed earlier, apples are essentially "private goods". But when commodities provide benefits beyond the individual consumer, economists state that they have "externalities." Another way to say the same thing is that the commodity has significant "public good" aspects. Because society has an interest in children beyond their effect on the well-being of their parents, child care has externalities, and the government should protect that public interest in the welfare of children. Many individual consumers will not spend "enough" on the early education of their young children, and some kind of government intervention will be required.

The second type of market failure occurs because parents have difficulty in making the right decision about child care, even with respect to the private benefits that parents enjoy. Again, this is not generally a problem for apples and pears. Consumers know what the two fruit taste like, what their own preferences are, and they can buy what they want. While appearances can be misleading (e.g., the bright shiny apple can sometimes turn out to be tasteless), consumers are frequent purchasers of fruit and they can readily punish sellers who provide bad fruit. This leads markets to function reasonably well. It is quite easy to argue that child care is not like this, so that the market for child care will not work well and some kind of government involvement will be required to make things work out. This set of arguments will be developed more fully in the next chapter, which looks more carefully at whether parents always know enough to make the "right" decisions for their children. For the balance of this current chapter, we will assume that parents know everything that there is to know about child care and early education.

The rest of this chapter will organize the arguments for good child care and for early learning by focusing on the issue of the "public goods" nature of child care. In this vein, we have found it productive to separate the benefits of good child care into two categories: benefits that accrue specifically to the children themselves, and benefits that affect parents directly. Within each category, we will address the public goods type of market failure discussed above.

Before beginning this analysis, it is worth making one important additional point. The argument that the state should intervene in helping parents to raise children is hardly a new one. In Canada, we already intervene in a number of sig-

nificant ways. Education is almost entirely publicly funded; health care for young children is essentially free. One could however accept the logic of intervention while still believing that it has gone quite far enough so that additional support for child care is unnecessary.

This argument would be correct only if there had not been a fundamental shift in Canada over the past generation. Two important things have happened. First, mothers with young children have entered the labour force in dramatic numbers. And second, we now understand the effectiveness of early childhood education and the importance of early intervention when children are at risk. Most young children now have employed mothers and many of those children in general are receiving relatively low quality care while their mothers are in the labour force. Since public subsidies for good child care can make a difference, and since there is a public interest in the care that those children receive, there is a clear case for extending the public share of responsibility for children so that it includes substantial financial support for child care and early education.

BENEFITS TO CHILDREN THAT ARE PUBLIC IN NATURE

Most parents care deeply about their children. Can't we rely upon them to purchase the kind of care that provides the right amount of benefit for their children? The answer is that although parents clearly make the decisions that seem best to them, the functioning of the market results in many cases in which not enough money is spent on child care and on early education.

The benefits to children have an obvious public good aspect. Good child care prepares children for later life. Children who are well-cared for early in life grow up to have more success in school, to stay in school longer, and ultimately to be more productive in the labour market. These benefits from later education and productivity are fundamental to the way economists think about economic growth and the wealth of nations. It is only recently that the economics profession has begun to understand the critical role played by early childhood experiences in this process.

If these benefits accrued only to the children themselves through higher wages, then we might imagine that conscientious parents would take them into account when they decided on how much to spend on their children. But the productivity gains linked to early education "spill over" to the rest of society. That is, while the benefits of early education do translate into higher wages, some of those benefits are enjoyed by the rest of society. This occurs for two reasons, both well accepted by economists: high-skilled workers make those around them more productive because they invent new products and start new businesses, and high-skilled workers pay higher taxes which support the economic and social infrastructure that drives our economic engine.

There are also social gains to having well-raised and well-educated children. These children grow up to be creative and responsible adults. They commit fewer crimes, they are healthier, they play a more active role in political discourse, and they are more involved in the arts and in charitable endeavours. And finally they are themselves better parents and do a better job of raising their own children. Again, all of these benefits spill over to others in society.

The child of course derives benefits directly from all this. But the spillovers (or "externalities," as economists often call them) are additional benefits that do not accrue directly to the child who receives the early educational experiences. The parents of that child will not take these spillovers into account when deciding what kind of child care to purchase.

This is not to argue that parents do not care enough for their children. In this "economist's view of the world," even the most caring parent will often not spend enough on his or her children. This is because, in the economic model of consumption, individual consumers continue to spend on commodities only as long as one more dollar spent on that commodity generates more than a dollar's worth of private benefits. For most commodities, this is efficient, because this personal calculation includes all the costs and benefits that there are.

Extending this logic to child care is simple. A parent will stop spending money on a child at the point where an extra dollar spent on the child generates less than one dollar's worth of private benefits. The more the parent cares about the child,

the more dollars will be spent before that "equilibrium point" is reached. But at that point, additional spending will not take place. The market failure argument is that there are benefits to society that exist on top of the private benefits enjoyed by the individual parent. Thus, although the parent stops spending exactly at the point where the personal cost-benefit calculations say to do so, in fact, if we account for all the social benefits, it may well still be efficient to increase spending on the child.

When would this not be a problem? If the family is relatively well off financially and if the family places great weight on the welfare of the child, then we can expect that the family will continue to spend up to the point where the child receives considerable benefits. If the mother works outside the home, the family purchases high quality care for the young child. If the mother stays at home, the family purchases all kinds of early educational experiences. At some point, diminishing marginal returns set in and additional dollars spent on the child do not add that much benefit. This would be true for the spillover benefits discussed earlier, so there would be little market failure left to correct.

But if the family is struggling financially—as many young families are—then no matter how much weight the family puts on the welfare of the child, they will be limited in what they can purchase. Without public subsidies, the working parents will be forced to purchase lower quality child care. And if the parent chooses to stay at home to care for the child, then the family will have difficulty affording adequate housing and other necessities, let alone the early educational experiences that most child development experts regard as important. Additional dollars spent on the child will have considerable benefits, including especially the spillover benefits that justify public spending.

Furthermore, even among affluent families, we might expect a variety of attitudes towards raising children. While most parents value children intensely, there may be some families that put relatively less weight on the well-being of their children. In those families, relatively less will be spent on them. Again, additional dollars spent on the child will have considerable spillover benefits and public spending is justified.

One way to get parents to spend more resources on children is to transfer more money directly to the parents. Parents will respond by spending more money on their children but they will also spend more on themselves. Since the market fails (not because parents do not spend enough on their own tennis racquets and restaurant meals, but only because parents are not allocating enough to their children), a general transfer of income to parents that would increase both categories of expenditures would not be efficient.

The largest social returns occur when money is spent on children in poorer families. There are two reasons for this. First, poor families can devote fewer resources to their children than wealthier families. Extra dollars devoted to these children are likely to matter more. Second, our society has a strong commitment to the general concept of "equal opportunity." Providing children with a reasonable chance for success is a fundamental public value. Again, this logic suggests that we transfer resources directly to children rather than to their families because the social value derives directly from making children better off. This is especially true for families that might place less value on their children. Society believes that children have a fundamental right to be well-raised and well-educated, no matter what the preferences of their parents.

The poorest families often have only a single parent. When single parents are not employed, children lose the benefits of seeing within their families the regular attachments that most adults have to the labour force. Enabling single parents to look for jobs—while providing high quality care to their children—may be an important way to break the cycle of poverty.

Because this logic is expressed in terms used by economists, this analysis may initially seem strange. But actually the underlying reasoning should seem quite familiar: because society benefits from well-educated and well-raised children, it has an interest in having more resources spent on them. This reasoning lay behind the enormous subsidies devoted to education. At the end of the twentieth century, Canada spent over $40 billion per year subsidizing various levels of education, from kindergarten through university. This money is spent because we believe that it generates enormous social returns. Without these subsidies, parents would still educate their children. But society wants more resources devoted to children than individual parents might want to spend and access to quality education is a fundamental part of equal opportunity.

But since we already fund education for school-age children, why are we only now considering extending the funding to younger children? The answer is that educational expenditures emerged in a period when virtually all mothers stayed at home full-time and cared for their children. The conventional view was that the educational process did not begin until children were somewhat older (4, 5 or 6 years old, depending on the point of view). Thus, there was little practical way that the government could directly fund child-raising (other than through specific programs like vaccination or through general support to mothers like family allowances).

That situation has changed significantly in the last generation. Mothers with young children are employed in ever greater numbers and are making extra-familial arrangements for the care of their children. The figures are so striking as to be, at some fundamental level, hard to accept (which may be why opponents of child care keep talking as if purchased child care was an option rather than a necessity for most families). Thirty-five years ago, in 1967, only 1 in 6 mothers with young children were in the labour force; today the figure exceeds 4 in 6. This participation rate has risen in almost every year in that period (see the discussion in chapter 6). With so many children being cared for outside the home, there is, for the first time, a practical way for the public to support early childhood educational experiences.

At the same time, we now understand just how important these educational experiences can be. Again, when most mothers cared for children full time in the home, it was assumed that young children derived most of their important experiences from the home. We now understand that even those children with full-time stay-at-home parents benefit significantly from group experiences–a fact testified to by the large number of well-off parents who choose to purchase these experiences.

The analogies to education seem clear here too. Prior to the 1960s, most Canadian teenagers did not pursue their education much beyond high school. University was limited to a small percentage of the population and was, in general, not publicly subsidized. In the middle of the twentieth century, it became increasingly clear that a university education was a critical requirement for many workers in a modern economy, and Canadian governments became heavily involved in supporting universities. As it becomes clear at the beginning of the 21st century that early education is critical for future learning, it is equally natural for governments to become heavily involved in that area too. In many parts of the world, that has already occurred. Despite political promises, funding for child care in Canada is still woefully inadequate.

BENEFITS TO PARENTS THAT ARE PUBLIC IN NATURE

Of course, child care is not only about the benefits to children. Most parents who purchase full-day child care (as opposed to 2- or 3-hour per-day nursery school care) are doing it because they have jobs. The benefits which flow directly to the parent (as opposed to benefits to the child, which flow *indirectly* to the parent) are the wages which can be earned by that parent while the child is being cared for. Aside from being an investment in children, good child care can also be seen as a work-related expense for employed parents.

What does economics tell us about this decision by the parent to enter the labour force? This decision should in theory hinge on the simple question of where the parent is most productive. The wage paid to the parent captures the productivity of that parent in the economy. The cost of child care captures the cost of replacing a significant part of the parent's household productivity when the parent goes out to work. Because the parent receives the wages and pays for the child care, the decision can be seen as a simple calculation. The wage must be high enough to cover the child care and compensate for any additional work-related expenses (transportation, lunches, clothes for work) and for any additional lost household productivity. If that occurs, then the parent will move into the labour force. Otherwise, it is in the financial interest of the parent to stay at home full time.

Parallel to the earlier discussion of benefits for children, there are two reasons why this decision will not be made efficiently, again linked to the two types of market failure discussed earlier. First, the decision by a parent to be employed and use child care is not a purely private decision, even looking only at the benefits to parents. Second, even restricting our concern to the private component of the employment decision, there are again peculiarities in the market that might pre-

vent parents from making efficient decisions. We will again consider the first issue—the public nature of the benefits to mothers—in this chapter (the other is discussed in chapter 4).

The calculation which the economic model imagines the parent making will be efficient only if the employed parent receives the entire wage and pays all the costs. What this means is that the decision is entirely a private one, with no benefits or costs flowing outside the family. When considering the welfare of the children, we argued that there was a significant public interest in the child care decision being made by the parent. The same issues arise when we look only at the benefits received by the employed parent.

Problems arise because workers do not in general receive all of their wages. The existence of significant taxes levied on the earnings of the parent means that an efficient decision will not generally be made. The employed parent pays all of the costs of going to work—the cost of child care, the extra expenses of travel and clothes and food, the need to replace lost household functions—but receives only part of the benefit of employment.

A simple example will make this clear. Suppose that a mother produces $20,000 in value in her job for her employer. Child care costs $7000. Other work expenses (travel to and from work, work clothes, lunches) are $3500. The family figures that the loss in other household tasks is worth $5000. If the mother receives the entire $20,000 in wages, then there is a profit to the family of $4500 by having the mother take the job ($20,000 minus the sum of $7000, $3500, and $5000). But if the taxes paid by the worker exceed $4500, then the mother will decide not to enter the labour force, even though it is efficient for her to do so. The problem is that the family does not take into account the productivity contained in the taxes. But this productivity is real, and tax revenue is a real benefit to society (it pays for a wide variety of public services).

It may seem that this analysis goes too far. The $20,000 in potential earnings is not high and income taxes on low-wage workers might seem to be relatively low (because of the basic personal credit and the low income tax rate on earnings under $30,000). But careful examination suggests that this is illusory. Payroll taxes on employees (E.I. and C.P.P. or Q.P.P.) account for about 7% of wages. The federal and provincial sales taxes apply to most consumption purchases and must be treated the same way as a conventional tax on earning. When the mother has a job, the husband loses her as a credit, which costs the family just under $2000. When these are added to the income tax paid by the employed mother directly, taxes of considerably more than $4500 on earnings of $20,000 are not unrealistic.

This tax revenue creates a public interest in having the mother in the labour force. We know that mothers with young children are particularly sensitive to net earnings when they make the employment decision. For that reason, the government needs to encourage parents' employment, and funding for child care is a clear way to do this. This explains in part why the Child Care Expense Deduction has been enshrined in the tax code and has not been eliminated even when other government programs have been under careful scrutiny (this point is discussed in more detail below in chapter 5).

The logic laid out above applies even more dramatically for single parents on social assistance. Implicit tax rates on the earnings of those on welfare can be perilously close to 100% (economists call this the "welfare trap"). When a single parent takes a job, welfare payments drop considerably, a benefit to the government treasury. Public funds are freed up to finance other government programs, or allow for tax cuts, all of which benefits other Canadians. Yet the single parent sees little financial gain from employment, exactly because of this fall off in welfare payments. One way to encourage employment by single parents is to provide generous child care subsidies, and in fact these are available to some single parents in Canada. The investment in child care by the government generates considerable returns in taxes and welfare savings.

The benefits of employment are also not entirely contained in the current wage being paid. We know that future wages depend to some extent on continuing attachment to the labour force. When workers leave the work force for several years to care for young children, there is erosion of skills that reduces future wage rates. Unless workers are protected by parental leave provisions, they may also lose their places in the workforce hierarchy, which again will reduce wages when they return to work. Most contracts allow for yearly increments that are lost when workers are out of the labour force. Again, all of these lost wages mean lost future tax payments, giving the government a stake in a continuing attachment to the labour force.

This explanation also applies strongly for single parents who use child care to take jobs and leave welfare. Once these parents form a permanent attachment to the labour force, their wages begin to rise, making it less likely that they will go back on welfare in the future.

BUT SHOULD WE SUBSIDIZE ALL CHILDREN?

We have identified all the public good aspects of child care. But, as we have suggested, the case for subsidy is strongest for children in poorer families. These families are less able to purchase good child care themselves, and the gains from early education—while significant for all children—are the biggest for children who are disadvantaged. As the quote that we began this chapter with suggested, it is easy to attack child care subsidies that might flow to relatively well-off families.

Having said all that, we generally support universal funding for child care, although we do believe that parents who have high incomes might be expected to pay some fraction of the cost of care. Our position is based on a number of factors. First, for all but the wealthiest families in Canada, good child care will continue to be a considerable financial burden, and many middle class families cannot afford and currently do not purchase what we would consider to be acceptable levels of quality. Because there are significant spillovers from good child care, we would want to help these families buy higher quality care.

Second, there are considerable public advantages from having all children in the same kinds of facilities. The mixing of children from different backgrounds is itself a public good. Equal opportunity for children is also desirable. And, just as important, providing universal funding helps build the political support that ensures high quality care. When middle class parents are not eligible for subsidy, there is considerable resistance to improving the level of quality in subsidized care, because the benefits appear to go only to a minority of children. When all children stand to benefit, parents and those who support their efforts, will favour improvements in quality.

SUMMARY OF THE ARGUMENTS

Opponents of child care funding often have an underlying belief that families ought to be self-sufficient and should pay for their own child care. We believe that there is a strong public interest in good child care, and that this public interest justifies public funding. The reasons for this are as follows:

- Good child care makes children better citizens and workers in the future. This benefits the children and their families, but also benefits other Canadians. Those children contribute to society, both through the taxes they pay and through their citizenship.
- Parents care for their children but most families cannot afford to purchase child care of high enough quality to create all the benefits that society would like. Child care funding will improve quality and generate more public benefits.
- Good child care allows more parents to work. This benefits parents directly through the wages they earn, but significant benefits flow to society through the taxes paid by those parents. This is especially true for parents on welfare because the reduction in public expenditures when poor parents work and get off welfare is significant.
- The benefits from working parents also occur in the future because sustained involvement in the work force increases skills and future wages.

CHAPTER 4

The "parents always know best" argument

THE FORM OF THIS ARGUMENT IN THE PUBLIC DEBATE

This argument suggests that parents should be the ones who make decisions about what is best for their children and that governments should not interfere with those decisions. Most parents who work choose informal relatively low-cost arrangements for their children. Many of those who choose more formal and regulated care do so partly because of government subsidies. If we trust the judgment of parents, why should we override the decisions made by the majority of employed parents? And when parents choose not to enter the labour force, why should we design subsidy strategies to induce these parents to work for pay and hire others to care for their children? Because parents know best, they will try very hard to make the right choices for their children. Shouldn't we be reinforcing these decisions rather than seeking to change them?

Governments, it is argued, interfere with parents' judgments at their peril because not only do parents know best but also governments often know very little. In this view, centralized decisions by bureaucrats are unlikely to help families or their children and are more likely simply to dissipate the scarce public dollars that could be used far more effectively by the families themselves. By this logic, we should help families by cutting their taxes, not by subsidizing child care.

The biggest barrier to parents making the right decisions, so this argument goes, is the interference of government with the child care market: public financial support of child care, together with tax policies that discourage stay-at-home mothers distort parents' decisions away from the choices they know are best. Government funding generally promotes inefficiency and interferes with the efficiency of markets. Allowing households to determine how best to spend dollars ensures the best possible decisions and will be best for those households and their children.

This view mirrors the free market approach of most economists. Economics argues that markets generally work well and that government interference, except in special circumstances, does more harm than good. We can see this kind of logic echoed in the pronouncements about child care by some provincial governments who favour parental choice in child care. For example, Brenda Elliot, Ontario Minister of Community, Family and Children's Services, recently made the following statement:

> Over the past six years the provincial government has made, and continues to make, tremendous improvements in child care options. We must provide a wide range of supports for all parents, so that they can make the best choices for their children. Ontario's child care funding initiatives focus on parental choice and flexibility. Parents, not governments, are in the best position to make child care choices for their children. We are listening to parents, and we know the majority has their children in informal care instead of institution-based care (*Globe and Mail*, November 20, 2002).

PARENTS ARE IMPORTANT BUT THERE IS ALSO A PUBLIC INTEREST IN CHILDREN

Children go through different stages as they grow up; emotional, social and cognitive abilities, and personalities differ from child to child. Parents are the vital eyes and ears that figure out what their young children need and what services and facilities are available; they are the vital decision makers that shape their children's experiences as they grow. Furthermore, parents make major income and time sacrifices for their children. The Vanier Institute of the Family has, for instance, estimated that the average cost of raising a child to the age of eighteen is $150,000 in Canada, or about $8000 per year.

However, all of these sacrifices and all of this knowledge do not guarantee the best possible decisions. As we discussed in chapter 3, there is a significant public interest in the decisions made within families. The decision to use good child care and good early education has significant spillovers for other Canadians. And the decision by parents to work for pay also has significant spillovers. Most parents with young children face considerable financial constraints and although they do the best that they can, society can be made better off by helping those parents financially so that they can make better choices. Governments must supplement the efforts of parents and assist them in doing what is best for their children and themselves. This will require substantial government financial assistance to good quality early childhood education and care, and reforms to reduce the penalties facing mothers of young children who seek employment.

In concrete terms, that would mean substantial public financing of good quality early childhood education and care and changes to the considerable taxes paid by the second parent in a family to enter the labour force. These reforms would enhance—not reduce—parental choice and would allow parents to make the decisions to benefit their children and support their families.

There should be a substantial role for parental choice in any publicly financed system of early childhood education and care. For example, generous maternity/parental leave and benefit policies should make it feasible for many parents to stay home with children for the first year of life if they should choose to do so. There should be additional family and sick-child leaves permitting parents to help their children through different emergencies as they grow up. There needs to be a range of good quality educational and care services to choose from at reasonable cost. Further still, these services should be available to children whose parents have decided to stay at home, as well as to those whose parents are employed. The benefits to children will be strong in either case. There needs to be a range of other family supports for families who may need them. Fraser Mustard and Margaret McCain recommended a network of Early Childhood Development and Parenting Centres for communities in Ontario; early childhood education facilities would be at the centre of these "neighbourhood hubs" but an array of other family services could be accessed through the same portal. This kind of policy innovation, spread across Canada, would truly permit parents to find what they need for their children.

IS THERE A HIDDEN AGENDA IN THE "PARENTS KNOW BEST" ARGUMENT?

At the beginning of this chapter, we presented the "parents know best" argument in its most benign version. It suggests that parents are making good decisions when they choose whether or not to enter the labour market and when they decide what kind of child care to purchase—and that government ought not to interfere with these judgements. But there is also a version of the argument that is inherently more critical of the overall orientation of Canadian society: we are somehow on the wrong track, and the entry into the labour force of women—and more particularly of mothers—is a disaster for families and children. This argument suggests that the government already provides too much assistance to out-of-home child care and too little taxation of mothers who are employed outside the home. As a result, too many mothers are choosing to leave their children in the care of others while they pursue meaningless economic excess.

But if one argues that parents know best, then it is hard to suggest that the voluntary decisions of the vast majority of mothers to seek employment and obtain care for their children are wrong without suggesting that they are due somehow to massive distortions caused by government misjudgements. Unfortunately for this view, there are no massive distortions driving women into the labour force. Instead, women are choosing to look for employment because the wages they earn that way provide economic security and opportunity for their families, and because they derive other satisfactions from their careers.

The belief that mothers should return to the home reflects a hankering for the way things used to be in the 1950s. We sometimes look back at the past through rose-coloured glasses. But this ignores two significant facts about that period. First, it was an historical anomaly, resulting perhaps from a reaction to almost two decades of depression and war. The period featured a temporary reversal of a long historical trend towards smaller families and increased women's participation in the labour force. Second, the years up to and including the 1950s were characterized by massive disincentives

for women in the labour force. Women's wages were low because of discrimination against women in the labour force and because of significant barriers to women entering high productivity professions. It is unlikely that Canadian society would tolerate a return to those conditions and that Canadian women would voluntarily give up their jobs.

Our view of all this is relatively straightforward. Mothers with young children seek employment because it benefits their families, both in the short run and in the long run. There are many stories featured in the media concerning how young mothers are conflicted about their jobs. These conflicts are easy to understand—mothers know that their families need the pay cheques that the mothers earn, but they are worried about what happens to their children while they are earning those pay cheques. When families have young children, their resources are stretched and they have trouble affording high quality care for their children. Because society has a stake in how children turn out, we must be prepared to spend public dollars to supplement the care that parents can afford to purchase.

THE PUBLIC INTEREST RESTATED

If we accept the argument that parents try to make good decisions for their families--and in particular for their children—then any debate about public support for child care turns on whether there are significant economic distortions that might drive parents in the wrong direction. If one believes that mothers are being driven into the labour force because of inappropriate government policies and that this is bad for children, then these policies should be reversed, and public funding for child care, which will encourage mothers to seek employment, should be opposed. If, on the other hand, one believes (as we do) that the distortions run the other way: that there are still significant barriers encouraging mothers not to enter the labour force and not to use good child care when they do, then we ought to support good child care and early education and look forward to the changes in behaviour that these kinds of policy will induce.

What kinds of economic disincentives are currently at play? As we argued in chapter 3, there is a significant public interest in raising the quality of child care. The private market for child care does not reflect this public interest, and as a result, parents purchase too little child care, not too much. The only way to fix this is for the government to intervene to lower the price to parents of obtaining good quality services. The public interest in high quality early childhood education and care is important and bears repeating:

1. Children who receive better child care grow up to be more productive workers. They pay higher taxes, and these support a variety of programs that benefit others in society.
2. More productive workers also invent new ways to do things and open new businesses, both of which make other workers more productive--again benefiting others in society.
3. Children who receive better child care grow up to be more responsible adults participating in our social and political life. Again, this benefits others in society.
4. Most research shows that better child care is of particular benefit to poor children. This certainly makes their parents better off, but it also benefits the rest of us because we place a strong value on equal opportunity in our society.
5. Some parents may prefer to spend more money on themselves and less on their children, but all children have a right to high quality care, whatever the preferences of their parents.

There is also a public interest in the entry of mothers into the labour force. We are arguing quite differently than those who want mothers to return to the home. We are suggesting that distortions in taxation and other government policies are keeping some mothers out of the labour force and that public funding for child care might counteract some of these disincentives. These current distortions are as follows:

- Mothers already face fairly high tax rates, which induce them not to enter the labour force, even though it may be economically efficient for them to do so. These tax rates are greater than might appear because of the way the spousal credit is designed and because payroll taxes are significant even at low wages. Studies show that second earners are particularly sensitive to taxes on their wages when making the decision on whether or not to work.

- The problem is far more extreme for single parents who are usually eligible for social assistance if they are not employed but lose those benefits if they find full-time jobs.
- Employment is beneficial for parents because wage increases in the future are linked to experience and to the development of skills in the workplace. Because these additional wages are taxed, parents will not fully take them into account when they decide when and whether to re-enter the labour force after the birth of a child.

In addition to these public goods issues, there are a number of other considerations that interfere with the ability of parents to make the best choices. These will be the subject of the rest of this chapter, and during that discussion, we will ignore the public goods issues dealt with earlier.

OTHER TYPES OF MARKET FAILURE THAT AFFECT BENEFITS TO CHILDREN

Economists believe strongly in the decisions made by consumers because of the way in which they perceive markets as working. Consumers demand products and firms have an incentive to produce what consumers want because otherwise they will be driven out of business (by competitors who are more aggressive in meeting the needs of buyers). Microeconomic theory tells us that this process works very well.

We have already voiced the concern that parents may not buy child care of high enough quality. Even when we ignore the public goods issue, the quality problem remains. In the markets for most goods and services, quality is not much of a concern for governments. Markets work well because consumers can evaluate quality, at least after the fact. Because sellers need to attract buyers week after week, there are all the right incentives for producing what consumers want.

But child care is very different from most other products. Few parents can evaluate the long run effects of good child care. The "market" for child care is currently decentralized and somewhat chaotic. Many parents have never purchased child care before, and by the time they learn what they need to know, their children are old enough so that the parents may never purchase child care again. Working parents have little time to seek out and evaluate child care, even if they know entirely what they were looking for. Furthermore, the direct consumer of the care—the child—cannot easily communicate with the parent about what kind of care is being delivered. And the effect of good or bad child care is seldom immediately apparent.

There is, in fact, some evidence that parents may have difficulty assessing the quality of child care. An American study (Helburn, 1995) found that parents substantially overestimated the quality of care received by their children relative to evaluations made by trained observers. While parents valued the same kinds of things that professionals valued, their rankings differed significantly: 90 percent of parents rated their child's classroom as high quality, while trained observers rated most classrooms poor to mediocre. Other studies have produced similar results. If parents cannot judge quality differences, then they are unlikely to pay for real increases in quality.

Even more alarming, if parents have difficulty assessing quality, low-quality care providers can drive higher quality providers out of the market by under pricing them. High quality care generally uses better-educated workers who naturally receive higher salaries. Lower quality care uses workers who are not as well trained and who earn less. Because of higher labour costs, high quality care costs more. If parents cannot judge better quality, then they will make judgments based primarily on price. High-quality higher-cost care providers will attract fewer children and will not earn enough revenues to survive.

All of this makes a compelling case for some kind of public intervention to ensure good quality care. There is considerable merit to directing child care dollars to high quality regulated child care rather than attempting to raise quality by funnelling dollars directly through parents themselves.

But even if parents could accurately evaluate quality, there would be a good reason to subsidize high quality child care. Child care is different from other products in that it is largely an investment in the future. Good child care is preferable to bad child care not simply because it makes children happier today, but because it helps prepare children for their adult

lives. The economic term for this process of investing in the future productivity of people is "investment in human capital." Economics teaches us that individuals can only make efficient choices on investments in human capital when they can effectively borrow against the future to finance these kinds of ventures. Wealthy parents have assets that they can borrow against to finance current spending. But most parents of young children are not in this position.

Good child care is expensive. Parents with young children are generally at the most financially disadvantageous point in their lives. They are usually near the beginning of their earning lives and have incomes considerably below their lifetime average. At the same time, they have few assets and are often saving to buy a home or dealing with high mortgage payments. Every dollar spent on child care is a dollar not available for other essentials. Even though an extra dollar spent on child care will generate far more than a dollar's worth of benefits in the future, the family cannot easily borrow to finance this productive investment in human capital. Most young parents cannot borrow at reasonable rates of interest to finance years of high cost child care.

In economic theory, consumers could use the asset being purchased as collateral for a loan. In practice, however, the asset being generated by good child care is a productive and effective young worker 20 to 25 years in the future. There is no practical way to pledge the child's future increase in earnings to finance loans, which will in turn be used to pay for good child care.

The situation becomes even clearer when looked at from the point of view of the child. At the other end of childhood, when a student is considering attending law school or medical school, banks are prepared to make student loans to finance the education, with the relative certainty that these loans could be easily repaid through higher future earnings. No bank would lend money to a 3 year old child to finance good child care in the expectation that this expenditure would be economically productive. Nor could we imagine the 3 year old negotiating such a loan. The absurdity of this suggestion simply illustrates the failure of markets to allow for reasonable investments in young children. Such investments will clearly require state intervention. This same logic is used by economists to justify state financing of all kinds of education.

A productive way to think about public funding for child care and early education is to imagine it as a loan made to each generation. The loan is paid for by the recipients themselves through the taxes levied on their future earnings. Like most social programs, it is a "pay-as-you-go" arrangement, with each generation financing the next generation's benefits.

OTHER TYPES OF MARKET FAILURE THAT AFFECT BENEFITS TO PARENTS

Even if there were not a direct public interest in the employment decision (because of the taxes collected), there might be other reasons, which would cause the market outcome to be inefficient. The decision to work brings two benefits to the family: first, current wages increase family income today; second, future wages are higher because of continuous attachment to the labour force, increasing family income in the future. This latter benefit means that it might be beneficial to the family to have the mother in the labour force, even if there were a slight reduction in current family income in the present. That is, even if wages were less than the cost of child care plus other work-related expenses and the loss of other household productivity, it might be beneficial to have the mother continue to work. In theory, this decision could be financed by loans against the future higher earnings. As discussed above, most families with young children have budgets that are already severely pinched and borrowing more money is often not a real option. For that reason, efficient decisions may require government involvement. Subsidies to child care are one way to help young families at a time when they are most in need of it.

There is also another reason why young mothers may not make appropriate decisions about employment. In Canada today, there is considerable risk of divorce. Most young parents are at the beginning of their relationships and tend not to take these risks into account. Yet the costs of divorce fall disproportionately on women. Women are usually left with custody of the children, and legally mandated child support payments from husbands may be hard to collect. For that reason, divorce is a considerable risk factor in poverty for young women and for their children. This poverty has a considerable cost to both women and children (not to mention to the government, which often has to make welfare payments

and bear other aspects of the cost of divorce). One way to mitigate these costs is for the mother to retain her attachment to the labour force. Because that attachment means higher wages in the future, a mother who has remained at work will have an easier time earning the income necessary to get by if her marriage falls apart.

In theory, young mothers ought to take all this into account when they decide whether or not to stay employed. In practice, few young people account for these risks. Government policy, which encourages women to have careers and to remain in the labour force, may be the most effective way to protect both them and their children from marital breakdown. The most effective government policy to encourage women to stay in the labour force is the availability of high-quality low-price child care.

We have argued, in this chapter and in the previous one, that child care funding will bring more mothers into the labour force. In the long run, this will make families better off and will also benefit the government in the form of increased tax revenues, both now and in the future.

It is hard to argue that encouraging mothers into the labour force would be inefficient, when this has in fact been the historical trend. In the 25 years between 1976 and 2001, the labour force participation rate for women with partners and young children rose dramatically. For these mothers with children under the age of 3, that rate rose from 28% to 64%; for mothers whose youngest child was between 3 and 5, that rate rose from 36% to 69%; for mothers whose youngest child was between 6 and 15, that rate rose from 46% to 76% (see Table 6.2 in chapter 6). This fundamental change in the way in which women see themselves in relation to the labour market is one of the most important economic shifts in the late 20th century.

Certainly, a significant number of mothers still remain at home full time to care for their children. But when the majority are in the labour force and when those numbers continue to rise each year, it makes little sense to suggest that labour force entry is inefficient. If "parents know best," then labour force participation by mothers has been revealed to be a beneficial and efficient outcome. Society needs to be concerned about the care of children when this occurs, and that is the focus of any proposal for public spending on child care.

Nonetheless, as economists we are concerned about efficiency and do not want to distort any decisions when this is not necessary. One way to ensure that government spending does not distort the decision by mothers to enter the labour force is to make that support available whether or not mothers are employed. If we direct public dollars towards child care and early education for mothers in the labour force and also towards early education for the children of mothers who do not enter the paid labour force, then the labour force decision will not be significantly distorted.

It must be emphasized however that public spending on both types of children's services makes sense for reasons that certainly transcend the narrow arguments about efficient labour market entry. As there is good evidence that early educational education improves the lives and later productivity of all children, we believe that public funding must be directed to all children— whether or not their parents are in the labour force—in order to achieve these ends.

SUMMARY OF THE ARGUMENTS

Arguments against public funding for child care that begin with a statement that parents know best what to do for their children can be hard to deal with because, in general, most of us agree that parents want what is best for their children. Furthermore, we know that parents matter more than anything else when we consider what contributes to the welfare of children. Good child care matters but good parenting matters even more. This is not to downgrade in any way the importance of good child care. But all studies of child outcomes show that what parents do is critically important.

However, even though parents want to do what is best for their children, they may not always be able to make the best choices. This is true for the following reasons:

- Child care has public good elements, so society may want to improve quality of care beyond what parents will choose, an argument made in chapter 3.

- Ignoring these public good aspects, it is also true that parents may not always be able to judge quality accurately, suggesting a need to undertake measures to eliminate low quality care.
- Parents may want to buy high quality care but face income constraints that make this impossible. Thus, good child care may be an economically efficient investment in children but many parents do not have the funds to finance this investment, even when they see that it would be desirable.
- Some parents may not properly perceive the advantages of continuing attachment to the labour force. These advantages include higher incomes in the future and more security should family structure break down.
- Because most parents with young children are already employed, it is hard to argue that there will be significant inefficiency associated with programs that encourage parents to continue their attachment to the labour force.

CHAPTER 5

The "families with a stay-at-home mom are discriminated against" argument

THE FORM OF THIS ARGUMENT IN THE PUBLIC DEBATE

This argument has surfaced in Canada in the last few years. In its more popular version, it suggests that a left-leaning feminist bias in government has led to a series of measures designed to reward families with two employed parents and to discriminate against more traditional families in which the mother stays at home full time to care for the children. In this view, if the money spent on those discriminatory measures were distributed to the more traditional families, mothers would stay at home and care for their children, and those children would be better off.

An example of this view is contained in a recent letter to the *Globe and Mail* from Beverley Smith, president of the Kids First Association of Canada, commenting on an article concerning a speech in Toronto by Mario Dumont, leader of Québec's Action Démocratique: "By a flat tax, he cuts out the penalty against the single-income family. By vouchers for child-rearing and schooling, he allows funding to flow to the child so parents can even—eek!—get funding for taking care of their own kids".

Kids First has been active politically and judicially in challenging what they perceive to be an unfair treatment of stay-at-home mothers. In 1993, Kids First unsuccessfully challenged the Child Care Expense Deduction in a Canadian Income Tax Court. Beginning in 1997, Beverley Smith lodged a formal complaint at the Division for the Advancement of Women at the United Nations arguing that Canada's tax, child care, pension and statistics laws devalue child-rearing. (The U.N. did not support the complaint).

The more academically sophisticated presentation of the same argument suggests that the tax system has evolved in recent years so as to favour families in which both parents are in the labour force over families in which one parent receives a paycheque and the other stays at home (for example, Boessenkool, 1999). Some of this critique has focused on the Child Care Expense Deduction which is seen as a special subsidy to two-earner families.

The same argument might be made about parental leave provisions, which are available to the mother only, if she was in the labour force prior to the birth of the child. The argument could also easily be extended to any direct government spending on child care which directs more funds to children with employed parents than to children with a stay-at-home parent.

The suggestion—sometimes implicit—is that there is some kind of "social agenda" that is encouraging mothers to work outside the home and which is also encouraging those mothers to arrange care for their children within child care institutions. Presumably, this disintegration of the traditional family will lead to an evolution of society that somehow is consistent with the goals of those setting the social agenda.

THE ARGUMENT IS BASED ON AN INAPPROPRIATE COMPARISON

The typical argument suggesting that there is discrimination against single-earner families uses a numerical comparison involving the Canadian tax system. Generally, the example compares the taxes paid by two families who have the same gross (that is, before-tax) earnings. One family has a single-earner husband and a stay-at-home wife; the second family has two earners and child care expenses. The single-earner family pays higher taxes than the two-earner family, which leads to the conclusion that there is discrimination against single-earner households. Because the numbers are usually

fairly precise, it would appear that the comparison is unassailable. But the problem with the example is that it is inevitably based upon an inappropriate comparison.

To show this, we will repeat the example that we used in a discussion paper prepared for the Canadian Policy Research Networks on this issue (Krashinsky & Cleveland, 1999). Consider two families that each have two parents and two children. In the first family, only the father is employed and earns $50,000. The mother stays at home, cares for the children, and does housework. In the second family, both parents are employed. The husband earns $30,000 and the wife earns $20,000. There are child care expenses of $8000, which are fully deductible for tax purposes by the lower-earning spouse. We assumed that the mother had the lower salary to reflect the historical reality that women have been paid less than men, but an increasingly important fraction of households do have wives who outearn their husbands. This example will be referred to as Case 1.

We looked only at the income taxes paid in 1999 for both families (thus, we ignored Canada/Quebec Pension Plan and Employment Insurance contributions, as well as the child tax benefit; for simplicity, we assumed that provincial income taxes were simply 50% of federal income taxes). The single-earner family paid $12,487 in income taxes, while the two-earner family paid $6059 on the father's earnings and $1414 on the mother's earnings, for a total tax bill of $7473. In other words, the single-earner family paid an extra $5014 in income taxes.

There have been changes in the tax system over the past few years but the general result has remained the same. Redoing the calculations for 2001, we find that the single-earner family would have paid $10,292 in income taxes, while the two-earner family would have paid $5421 on the father's earnings and $1101 on the mother's earnings, for a total tax bill of $6522 (the smaller amounts in 2001 reflect the cuts in federal tax rates, especially on income above $30,000). The single-earner family in 2001 would have paid an extra $3770 in income taxes.

In either 1999 or 2001, the single-earner household pays higher taxes. Does this mean that the single-earner family faces discrimination? The simple answer is no: the comparison is an inappropriate one. There can be discrimination only if the families are equivalent in some meaningful way, but they are not. In the example given, the husband in the single-earner family has a much higher income than the husband in the two-earner family, which is why that family pays higher taxes.

The proper comparison would begin with two husbands having the same before-tax income (and therefore the same taxes) and with two wives able to find jobs which paid the same wages. Assume that one mother takes the job while the other mother does not. In the family where the mother goes out to work, she pays taxes on her earnings, and her husband's tax bill rises because he loses her as a credit. In the other family, the mother pays no income taxes and the husband keeps the credit. Thus, employed women pay higher taxes than women who are not employed, and families with employed mothers pay higher taxes than equivalent families with stay-at-home mothers. This comparison will be worked out in detail below as Case 2.

There is an even simpler way to show that the two families in Case 1 represent an inappropriate comparison. Consider the types of jobs that the two fathers have in that example. The father with the stay-at-home wife has a good job, and he earns more than $25 an hour. Conversely, the father with the employed wife has a much less lucrative job, and he earns just over $15 an hour. In the first family, the mother may be able to afford to stay home, while in the second family, the mother has to work so the family can make ends meet. Even though the two families have the same before-tax income, it takes two workers in the second family to earn what a single worker does in the first family. How can we possibly pretend that these families are the same?

The proper comparison requires us to look at families where the fathers have the same kinds of jobs. When we do this, taxes clearly go up whenever the mother goes out to work, so that there is no way that the tax code discriminates against families with stay-at-home mothers.

INCLUDING CHILD CARE COSTS IN THE CALCULATION

Not only are the two households not equivalent in any real sense, the comparison is done incorrectly. The calculation looks only at taxes paid and ignores the additional expenses faced by the family with two parents in the labour force. That family pays more for transportation (to get the mother to work); more for food (because of less time for food preparation, the family has to use prepared food or eat out in restaurants more often); more for house-cleaning and laundry (either the family has to purchase some of these services or the parents have to work extra hours at night to do housework); and especially more for child care.

Although all these extra expenses are important, we shall focus only on the extra cost of child care. Those who argue that single earners are discriminated against prefer to ignore the extra expenses incurred by working mothers, so these tend not to be mentioned. But the cost of child care has to be made explicit because it is what figures in the Child Care Expense Deduction—and that deduction is a big contributor to the differences in taxes paid by the two families.

Simply put, the two-earner family in the above example pays less taxes because it has fewer dollars that it can spend after paying for child care which is a necessary work expense. When this is taken into account, it becomes clear that there is discrimination against the two-earner family, not in favour of it. To see this, look again at the 2001 calculation. Both families have before-tax earnings of $50,000. The two-earner family paid $6522 in income taxes, while the single-earner family paid $10,292. But the family with two working parents has to pay out $8000 in child care expenses. This means that they have $8000 less money for other spending. After paying for child care and after deducting child care expenses and paying taxes, the two-earner family has $35,478 left to spend. In comparison, after paying their taxes, the single-earner family has $39,708 left to spend. And we have not even considered all the other work-related expenses. Clearly, it is the two-earner family who is disadvantaged in the Canadian system.

DOING THE COMPARISON CORRECTLY USING EQUAL WAGE RATES

To examine the issue of discrimination, we must compare families who have the same choices available to them but make different decisions on how to lead their lives. If one family pays higher taxes than the other because of those choices, then it is reasonable to argue that those who pay higher taxes are discriminated against. For example, if a family renting an apartment ended up paying higher taxes than another family with the same income who buys an equivalent condominium, then we could legitimately argue that the renter was discriminated against.

To make a proper comparison between single-earner and two-earner households, we would have to start with two identical families and have them make different choices. In a sense, we are performing a "thought-experiment," in which we begin in a world where both families have yet to decide whether or not to have one parent stay at home with the children.

Suppose that both husbands can earn $50,000 per year and that both wives can earn $20,000 per year if they choose to work in the labour force. Both families have two young children. Now imagine that the first family chooses to have only the husband go out to work while the wife stays home, cares for the children, and does the housework. In contrast, the second family has both adults in the labour force and spends $8000 on child care. This is Case 2, mentioned above.

In 2001, the single-earner family would have paid $10,292 in federal taxes. The calculation used to arrive at this amount is quite simple (because of rounding, not all columns add exactly):

	on the first $30,754, federal tax	= $4921
add:	on the next $19,246, federal tax	= $4234
less:	personal and spousal tax credit	= $2294
equals:	total federal tax	= $6861
plus:	provincial tax (50% of federal tax)	= $3430
equals:	total tax	= $10,292

In contrast, the two-earner family (with husband earning $50,000 and wife earning $20,000) would have paid $11,954 on the father's earnings and $1101 on the mother's earnings, for a total tax bill of $13,055. This family pays $2763 more than the single-earner family. The calculation used to obtain this amount is also shown below:

For the husband:

	on the first $30,754, federal tax	= $4921
add:	on the next $19,246, federal tax	= $4234
less:	personal tax credit	= $1186
equals:	total federal tax	= $7969
plus:	provincial tax (50% of federal tax)	= $3985
equals:	total tax	= $11,954

For the wife:

taxable income, after child care deduction, is		$12,000
	on $12,000, federal tax	= $1920
less:	personal tax credit	= $1186
equals:	total federal tax	= $734
plus:	provincial tax (50% of federal tax)	= $367
equals:	total tax	= $1101

Because these families start in the same position but make different economic choices (the key choice occurs when the mother in the second family enters the labour force), equal treatment requires that they pay the same taxes. Because they pay different taxes, there is discrimination but it runs in favour of the single-earner family, not in favour of the two-earner family.

The situation is even worse than that presented by looking only at the taxes paid. The second family must lay out money for child care expenses, here assumed to be $8000. Even ignoring all other work related expenses, the second family faces additional costs of $10,763 (taxes plus child care) and loses the benefits of all the household services provided by the stay-at-home mother.

How is it that anyone can argue that the tax system discriminates against families with a stay-at-home parent when this example makes clear that these families end up paying lower taxes? The answer is straightforward. There is indeed a social agenda in place here, but it is a social agenda held by those making the very arguments in favour of the "discrimination against stay-at-home moms" hypothesis. That social agenda is a strong belief that we would be far better off if women stayed at home and took care of their families full time, rather than participating in the economy by working for money at regular jobs while trying to balance household responsibilities. For those who hold this view, any tax consideration that in any way lowers the taxes paid by two-income households, or any program that allows services to flow to two-income households, makes it more tolerable for mothers to work in the labour market and constitutes discrimination.

THE CLASSIC ECONOMICS APPROACH TO THIS PROBLEM

The discussion of discrimination in the tax system is not new to the economics profession. The branch of economics known as public finance has addressed this issue quite extensively and has concluded that the income tax system invariably discriminates against two-earner families rather than in favour of them, especially when there are young children present. In single-earner families with young children, the stay-at-home parent (usually the mother) is obviously heavily involved in the household production of child care, an extremely valuable service. Because this production is untaxed, economic theory concludes that the tax system will heavily favour these kinds of single-earner households and thus, will discriminate against equivalent two-earner households.

This result is expressed in virtually all standard public finance textbooks. It obviously contradicts the view that the tax system discriminates against single-earner households. To argue that there is discrimination against single-earner households is to misunderstand the way discrimination is defined by economists who specialize in this field.

Public finance economists discuss discrimination within the tax system by using a concept called "horizontal equity." Loosely speaking, horizontal equity occurs when taxpayers who have the same ability to pay end up paying the same taxes. More precisely, horizontal equity means that taxpaying units that are in the position to choose from among fundamentally similar economic alternatives should end up paying the same taxes (even if they make different economic choices).

The concept may seem fairly straightforward but putting it into practice is quite difficult. The argument that single-earner families are treated unfairly relative to two-earner families amounts to a statement that the two families are fundamentally the same (in the sense that they have available the same economic choices) but are being treated differently because of different economic decisions they have made. The two-earner family has chosen to have both parents work outside the household, while the single-earner family has chosen to have one parent work inside the household. If the two families had available fundamentally the same choices, they should be treated the same way by the tax system. What makes the concept hard to put into practice is determining what constitutes being able to make fundamentally the same choices.

To argue that the current system discriminates against single-earner families, one must argue that the family with two earners and a joint gross income of $50,000 has available to them the same choices as the family with a single earner, a stay-at-home parent and a gross income of $50,000. But a closer examination of the concept of horizontal equity reveals that this view is wrong.

In fact, when deciding whether or not to have a parent stay at home with young children, the two families are very much dissimilar. The husband in the single-earner family can earn $50,000 per year, a gross salary of about $25 an hour (assuming a 40-hour week and a 50-week year), while the husband in the two-earner family commands only $30,000 per year, a gross salary of about $15 an hour. Thus, the families have made different choices but also made those choices facing fundamentally different alternatives, so the concept of horizontal equity is not applicable. Were the second family to make the same choice as the first family (to have a parent stay at home to care for the children), the fundamentally different nature of their alternatives becomes clear. The second family would have a gross income of $30,000 and a stay-at-home parent, while the first family has a gross income of $50,000 and a stay-at-home parent.

In order to invoke the principle of horizontal equity, we would have to start with two identical families and have them make different choices. This is in fact what we did in the previous section and the result was unambiguous. When the second adult in the family goes out to work, taxes rise. The public finance economist explains this result by suggesting that there is an underlying and (probably) insoluble problem in equitable taxation of these two families. Theory requires us to tax all forms of production, including the household production of adults who remain at home and care for their families. When you work, you generate income that is taxed. When you work in the home, you generate services which benefit the family but not money income that can be taxed. Since the tax system can tax only income, it unfairly favours those who work producing services for their families. Since in practice it is not likely that we would ever tax household production, there will remain an inequity in the tax system that favours any family that has a disproportionately large amount of home production. That is, there will inevitably be discrimination in favour of households with stay-at-home parents.

CHILD CARE AS A WORK EXPENSE

Two-earner families can deduct child care expenses, subject to some limitations. Once one accepts the logic of our earlier argument that the tax system discriminates against working mothers and not in favour of them, the justification for the Child Care Expense Deduction follows naturally. This provision exists so as to correct some of the inequities that exist

in the tax system and that discriminate against mothers who enter the labour force. Employed mothers face unusual work-related expenses-expenses that are far greater than those facing any other workers. In particular, these expenses are the cost of care for their children. The tax code allows these expenses to be deductible precisely to allow some compensation for this unusual burden.

Again, the argument can be stated in terms of horizontal equity. A mother who earns $20,000 in gross income and who pays $8000 in child care expenses has the same spending power (before any taxes) as someone without children who earns $12,000 in gross income. A provision that makes child care expenses tax deductible makes this adjustment when defining taxable income.

If child care expenses are in fact an unusual expense of working, then the argument for deductibility is the same as the argument for deducting any expenses incurred for the purpose of earning income. For example, a doctor is allowed to deduct office expenses before computing taxable income, and this is a well-accepted provision within the tax system. If the doctor collects $250,000 in fees from the health care system and pays out $70,000 in salaries to a nurse and a receptionist and $30,000 in rent for office space, then quite correctly we would argue that the doctor should pay tax only on the $150,000 that remains.

It is sometimes argued that the Child Care Expense Deduction is a subsidy to child care and represents discrimination in favour of two-earner families. We disagree with this characterization of the deduction. Since child care is a necessary work expense, deductibility no more subsidizes child care than the office-expense deduction subsidizes the doctor's office rent or nursing expenses. Deductibility is simply part of the proper definition of taxable income.

SUMMARY OF THE ARGUMENTS

The argument being addressed is that there is somehow a growing discrimination against families with a "stay-at-home mom". This argument is based upon inappropriate comparisons. In fact, the discrimination runs the other way-against families in which both parents are employed. This is true for the following reasons:

- Families with two-earners who have the same before tax income as families with single-earners and a stay-at-home parent are not equivalent. Each worker in the two-earner families is earning lower wages than the single-earner in the second family.
- Two-earner families face significant child care expenses that are not incurred by families with a stay-at-home parent. When these are taken into consideration, two-earner families are financially worse off.
- A proper comparison involving equal wage rates reveals that two-earner families always pay much higher taxes than equivalent single-earner families.
- Public finance economists have long argued that single-earner families with a stay-at-home parent are in fact advantaged by the tax system because household production is untaxed.
- Child care expenses should be deductible as a work expense. Thus, deductibility is not a subsidy to child care.

CHAPTER 6

The "mothers would rather stay at home" argument

The previous chapter discussed the argument that there is a social agenda that discriminates against traditional families with an employed father and a stay-at-home mother. According to this argument, public programs favour families in which both parents are employed. By implication, a different system of taxation and programs would allow women to stay at home with their children. The "mothers would rather stay at home" argument suggests that this is what the mothers themselves would prefer.

The argument goes something like the following: if the system were not so discriminatory, most mothers would choose to do what they really want to, which is to stay at home with their children. Adrienne Snow (1998), then the Co-ordinator of Policy and Communications, National Foundation for Family Research and Education expressed this view:

> Canadians may see daycare as an imperfect solution to the problem of raising children in a tough competitive economy. But this does not mean they see it as ideal . . If provided with adequate resources, most families would prefer to have one parent stay home when their children are young. If public debate about child care is to reflect the true opinions of most Canadians, it is time for the discussion to move beyond the creation of massive new government programs and begin to address a much tougher question: How can we help all families afford the child care choices they genuinely prefer?

REAL Women of Canada, in their statement about child care, argues: "We believe the ideal situation, even in a changing world, is that every family, who so chooses, would be able to look after their children in their own home."

The phrase "who so chooses" seems to leave open the possibility of choice. But this kind of choice is practical only if families can afford to lose the mother's income. The implication is that changes in the tax system would be necessary so that all women could afford to stay at home with their children, in which case one is imagining significant changes in the way Canada does business.

The popular media reflect this view somewhat more subtly in popular journalistic stories in which successful mothers reject the "sterile" rewards of the workplace in order to return to the more meaningful pursuits of hearth and home. While it is easy for us to poke fun at the antediluvian views of those who suggest that "a woman's place is in the home," there is no doubt that many Canadian women who remain in the labour force when their children are young feel somewhat ambivalent about that choice. Joseph Michalski, reporting on polling data, writes:

> Widespread disagreement exists on the issue of whether or not parents should be subsidized more directly to remain at home to raise their children. More generally, the polling data confirm that there have been longstanding tensions between paid employment for women and child care responsibilities. In terms of children's well being, a majority of Canadians believe that women ideally should not work outside of the home when their children are young. On the other hand, for a variety of other social and economic reasons, most women with children prefer either part-time or full-time employment. (1999, p. vi)

This ambivalence is not unique to Canada. Kathy O'Hara (1998) suggests that there is also a deep ambivalence in many countries with highly progressive child care systems. For example, in Sweden—where polls show that the vast majority believe that both spouses ought to contribute to the family finances, and that the best way for women to be independent is to have a job—a majority is also concerned about what happens to children when mothers work.

The Swedes have responded by designing a system that combines well-paid extended maternity and parental leave with high quality child care to support women's continuing connection to the labour force. The alternative in the "mothers would rather stay at home" argument is to alter the tax system to support mothers caring for their children full time in their own homes.

The argument that mothers really want to stay at home with their children and would do so if the tax and transfer system were not discriminatory rests on three distinct propositions:

- Proposition 1: The current system discriminates against families with a stay-at-home parent.
- Proposition 2: Most mothers would prefer to stay at home and care for their families full-time.
- Proposition 3: If we eliminated the discrimination by offering tax breaks to families with a stay-at-home parent, most mothers would stay at home, families would be better off, and the money saved by not subsidizing child care would pay for the tax breaks.

The first proposition was dealt with in chapter 5. In this chapter, we will address the other two propositions. Do the economic data reflect an overwhelming desire by working mothers to return to the home to care for their children? Put another way, is it true that reasonable changes in the tax and transfer system would cause large numbers of working mothers to leave the labour force and care for their children full time? Would the costs associated with such changes be small?

WOULD MOTHERS PREFER TO STAY AT HOME AND CARE FOR THEIR CHILDREN?

Is it true that mothers want to stay at home with their children, and is it true that they would do so in droves given relatively small changes in the tax system? The economic evidence is clear. Most women are in the labour force and intend to stay there. Any survey evidence to the contrary may simply reflect the healthy concern that parents feel about leaving their children in the care of others. Mothers with young children are naturally ambivalent about working, and this ambivalence occurs in many countries. Parents want to care for their children. But women also understand that to leave the labour force for a significant period of time may involve sacrificing their careers as well as the satisfaction and income that those careers produce. Further still, that income protects their children now and when they grow older.

The ambivalence we observe generates public fascination with the decisions of new parents. We suspect that this is why we periodically read newspaper stories of women in high-pressured jobs who have children, return to the home, and report that they are significantly better off because of it. And the internal conflicts of working mothers are grist for the Hollywood mill. In Baby Boom, the storyline is improved by having Diane Keaton discover a fulfilling and lucrative job that can be run from the home while caring for her child!

In reality, the choices are much more difficult. When mothers state that they would prefer to stay at home with their children if they were financially able to do so, in effect they are saying that they would prefer to care for their own children if doing so required no economic and career sacrifice. This tells us little about mothers' true preferences. Most workers, whether they are parents or not, would prefer to stay at home and still collect their salaries. And parents have an additional reason to make this fairly obvious choice: child care purchased outside the home is quite expensive. This is why most mothers with new babies take advantage of parental leave provisions under the Employment Insurance scheme. And it is why the statement that one sometimes reads—that mothers would prefer to spend more time caring for their children—is not particularly useful.

When faced with the real choice of leaving the workplace and giving up the income derived from working in order to care for their children in the home full time, most mothers and almost all fathers choose to stay at work. Parents believe that their families are better off when they make that choice. The income earned by parents provides financial security and future opportunities that would otherwise be unavailable to their children.

Those who would have women stay in the home sometimes portray employed mothers as selfish. But these mothers are concerned for their children, whatever the cost to themselves. The income they earn, both when their children are young and when their children are older (because continuing attachment to the labour force increases future earnings), allows families to purchase homes, to provide savings for college or university education, and to provide the economic security that children need to flourish. Of course the same is true for employed fathers, but the debate seldom addresses the issue of whether fathers would rather stay at home!

In essence, women are concluding that their families' well-being depends in part on them maximizing their productivity. Because of better education and increased opportunities in the work world, most women are more productive working outside the home than in it. This conclusion is true for the economy as a whole, as well as for these individual families. The cost to the economy of withdrawing mothers from the labour force and returning them to the home would be unacceptable. The social reality—that much of our current economic prosperity is linked to the productivity of increasingly educated and able women—is mirrored in the individual decisions of those women to stay in the labour force.

WHAT IS THE EVIDENCE ON PARENTS' ATTACHMENT TO THE LABOUR FORCE?

The data on labour force participation by young mothers are clear-women are in the workforce to stay. The labour force participation rates of mothers with children under the age of 6 have risen dramatically over the past 35 years and continue to do so. In 1967, only about 17% of mothers with young children were in the labour force. By 2000, that number was about 68%. Even this number tends to understate the strong attachment of women to the workforce. The 32% of mothers with pre-school children who are not in the labour force include mothers with very young children and single mothers who are encouraged by the welfare system to stay out of the labour force. If we look at women in 2000 whose youngest child was between the ages of 3 and 5, and limit ourselves to women who had a husband present in the household, the labour force participation rate was 74.2%. Two thirds of those women were working full time (Statistics Canada, 2002, derived from the Labour Force Survey).

All of this represents an enormous social change in the ways in which women view themselves and in the way in which children are cared for. There is a tendency, from time to time, to look back through rose-coloured glasses at a simpler time when mothers presumably raised large families in houses with white picket fences. Whether such an idyllic view of the past bears any relation to reality is unclear. That women have in dramatic numbers rejected a life outside the labour force and have chosen higher levels of education and significant involvement in the world of the workplace is without debate. Mothers have been entering the labour force in larger and larger numbers because they want to and need to for their own good and the good of their families. They feel that they are more productive by working in the labour force than by working in the home and understand that the sacrifices implicit in staying home full time with their young children are not good either for them or for their children.

But the argument about whether mothers "should" return to the home is, in the end, moot. Women are working in ever-increasing numbers, and it is impossible to imagine that they are likely to choose otherwise. The following four tables provide more detailed data on these trends. Table 6.1 contrasts the employment of men and women, by age group, between 1976 and 2001. Table 6.2 looks at the employment of mothers in two-parent families, by age of youngest child. Tables 6.3 and 6.4 provide information on labour force participation in the year 2000. It should be noted that the figures for labour force participation exceed the figures for employment because labour force participation includes those who are unemployed at the time of the survey.

The data on employment by men and women in Table 6.1 shows that while employment for men has fallen slightly over the 25 year period, it has risen dramatically for women. This is most striking in the 25–44 age range, where we would expect to find the most women with young children. In 1976, 50% of the women in this age range were employed, while 91% of the men had jobs. Twenty-five years later, 75% of the women and 86% of the men were in the labour force. This table shows the figures only in five year increments, for ease of reading.

TABLE 6.1 **Percent employed by age and gender, 1976–2001, selected years**

	Ages 15–24		Ages 25–44		Ages 45–54		Ages 55–64	
	Women	Men	Women	Men	Women	Men	Women	Men
	%	%	%	%	%	%	%	%
1976	51.6	60.0	49.9	90.9	45.6	88.9	30.4	72.8
1981	57.0	63.3	60.2	90.1	51.7	88.5	31.0	70.7
1986	57.9	60.4	66.2	86.2	55.8	85.9	30.3	62.6
1991	57.7	56.9	70.4	83.5	64.3	84.2	32.4	57.1
1996	52.2	53.2	70.9	82.9	66.2	82.4	33.6	53.7
2001	56.3	56.5	75.3	85.9	72.2	84.2	39.4	57.6

Table 6.2 focuses on employment for women with partners, by age of youngest child. The growth of employment over this period is unprecedented. We have concentrated on mothers with partners for reasons discussed below. But what is most striking is the persistent growth in all categories across the entire 25-year period. It is difficult to know when this growth will stop, although we might be tempted to argue that labour force participation by women with young children will always be somewhat below that for other women. What is obvious in the data is that this is an important and dramatic trend that is very unlikely to be reversed.

The statistics are often presented for all women with children. We have chosen to divide this group into women with partners (Table 6.3) and single women (Table 6.4) because we believe that, if anything, the global numbers for women with children understate the extent of the commitment of mothers to paid employment. Single mothers with young children are in an extraordinarily precarious position economically. In Canada, many of these women receive social assistance, but the current system is heavily biased against employment. There is no doubt that women respond to the obvious economic disincentives in the welfare system by staying out of the labour market. Thus, as Tables 6.3 and 6.4 reveal, although women whose youngest child is between 6 and 15 participate actively in the world of work regardless of whether they have partners present in the home, single women demonstrate lower levels of labour force participation when children are younger. Tables 6.3 and 6.4 provide more detail on the data in Table 6.2, focusing on one year (2000) and looking at labour force participation and on the full-time/part-time breakdown for those women who had jobs.

If we focus on mothers living with a partner in the household, we remove the impact of the strong disincentive to work built into the welfare system. In that case, we find that 74.2% of women whose youngest child was between the ages of 3 and 5 participated in the workforce in 2000. Ignoring those women who were unemployed when the survey was carried out, we find that about 7 out of 10 of those working mothers had full-time jobs. The numbers for women with younger children (under the age of 3) are only a little smaller: 66.4% of those mothers were in the labour force in 2000, and again about 7 out of 10 of those who worked did so full time.

The change in those numbers in a single generation is staggering. In 1967, only 17% of mothers with children under the age of 6 participated in the labour force. The shift into the labour force of women in general, and mothers in particular, represents probably the most dramatic social change in the latter half of the 20th century. To suggest that women somehow want to return full time to their households is implausible.

TABLE 6.2 **Percent employed, women with partners, 1976, by age of youngest child**

	Youngest <3	Youngest 3–5	Youngest 6–15
	%	%	%
1976	27.7	36.2	45.7
1977	29.3	37.0	46.4
1978	32.2	40.4	48.5
1979	34.8	42.8	50.3
1980	37.1	44.7	52.7
1981	40.0	46.2	55.4
1982	40.1	46.4	55.1
1983	43.1	48.5	55.1
1984	45.3	49.7	56.9
1985	47.9	52.8	59.1
1986	51.2	55.5	62.1
1987	52.0	57.2	64.4
1988	53.9	59.6	67.2
1989	55.2	60.7	69.7
1990	55.8	61.4	71.0
1991	57.2	62.4	70.3
1992	57.5	62.4	69.4
1993	58.7	62.6	70.5
1994	59.8	61.9	70.3
1995	59.8	64.4	71.7
1996	61.2	63.4	71.4
1997	62.1	65.1	72.8
1998	63.2	66.6	73.4
1999	63.1	68.4	74.4
2000	62.9	70.0	75.1
2001	63.6	68.5	75.7

Source for Tables 6.1 and 6.2: Statistics Canada, Labour Force Survey, cited in Statistics Canada, *Women in Canada: Work chapter updates*, Catalogue Number 89F0133XIE

TABLE 6.3 **Labour force participation by women with partners, 2000**

	Total number (thousands)	% in labour force	Of those working, % full time
Youngest child <3	816.5	66.4	70.9
Youngest child 3–5	535.0	74.2	69.5
Youngest child <6	1351.6	69.5	70.3
Youngest child 6–15	1472.9	79.5	73.1
Youngest child <16	2824.5	74.7	71.8
No child <16	4241.3	56.3	77.9
Total	7065.8	63.7	75.1

Note: The term "with partners" refers to all women with partners present in the household. "Total Number" refers to all individuals, whether in the labour force or not.

Source: CDROM of Labour Force Survey, Statistics Canada

TABLE 6.4 **Labour force participation by single women, 2000**

	Total number (thousands)	% in labour force	Of those working, % full time
Youngest child <3	86.6	50.5	70.8
Youngest child 3–5	96.3	64.9	76.6
Youngest child <6	182.8	58.1	74.2
Youngest child 6–15	288.8	78.7	79.4
Youngest child <16	471.7	70.7	77.8
No child <16	515.3	57.8	79.9
Total	987.0	64.0	78.8

Note: The term "single" refers to all women in families without partners present in the household. "Total Number" refers to all individuals, whether in the labour force or not.

Source: CDROM of Labour Force Survey, Statistics Canada

WHY ARE SO MANY WOMEN IN THE LABOUR FORCE?

To understand why women do not want to return to their homes as full-time housewives, it is worth revisiting some of the arguments offered by labour economists for why women have entered the workforce in such large numbers in the past 35 years. Of course, the phenomenon is a complex one since it involves fundamental shifts in the ways in which both men and women view the roles of women in the family. It is difficult to separate out cause and effect, since a number of different things have been changing simultaneously, and since the interactions among all these variables are quite complex. Despite this, several factors jump out at any analyst:

- Wages paid to women have risen dramatically over the past 35 years. This makes paid work more attractive relative to work within the household.
- Discrimination against women in the labour market—while still present—has decreased. Women can now compete for better jobs, which is partially responsible for the rise in wages.
- Maternity leave provisions allow women to have children while retaining a claim on their jobs.
- There are more and cheaper labour—saving devices for home production—washing machines, dryers, wash-and-wear fabrics, vacuums, microwaves, frozen/prepared foods, etc. These reduce the amount of time needed for basic home services, and thus, free more time for paid work.
- Canadians are having fewer children, which makes household work less productive (there are fewer children to care for) and lowers the cost of child care when women work. Furthermore, this means that women have more time in their lives when they do not have small children, making an ongoing attachment to the labour force more attractive. The decision to have smaller families is also determined in part by the increased opportunities available to women in the workforce.
- Men are expected to participate more actively in the raising of children (and some actually do), and this shift frees mothers to carry out other functions, including working.
- Women are pursuing higher levels of education, which increases their productivity outside the household. This is reflected in recent statistics showing that women are now in the majority in areas of higher education—law and medicine being two examples—that were formerly almost the exclusive providence of men. These high skill jobs are more complex and require fewer absences from the labour market. The increased connection to the labour force makes the economic gains from education larger, so the causation runs both ways; that is, more education makes work more attractive, and the greater inclination to work makes higher levels of education more attractive.

Whenever there is a dramatic social change, such as the entry of mothers with young children into the paid labour force, there is a tendency to look backward. That earlier period looks simpler and "easier". But mothers have entered the labour force freely and in ever greater numbers because they and their families have been made better off by that choice. These benefits are fairly obvious (although they are less so for those who value a time when mothers stayed at home full time):

- Families are made better off because the incomes earned by women make those families (and, by implication, the children in those families) more financially secure. Families can buy homes instead of renting them, can help children attend university, can protect children from poverty, and so on.
- Permanent attachment to the labour force protects women and children somewhat in cases where marriages dissolve.
- Women's lives are improved (which also makes them better parents) because they are able to lead full and engaged lives.
- The change is good for men and women because both are allowed to explore definitions of self and to find fulfilment in a variety of different ways. All of this is better for children because it provides them with better role models.
- The greater productivity of the Canadian economy because of the entry of skilled and able women into the labour force allows us all to support our social programs, as a result of the taxes paid by those working women and their employers.

This final point provides the central reason why Canada could ill afford to force women back into the home, even if this were possible.

IS IT PRACTICAL TO IMAGINE REVERSING THESE TRENDS THROUGH TAX POLICY?

This leaves only Proposition 3—that women could be induced to return to the home to care for their children if only we would make small but important changes to the tax and transfer system. Such a proposal amounts to increasing the take-home incomes of families in which the husband works and the wife stays at home to care for the children. We have seen little detailed discussion of exactly how such a proposal would be structured. One way this could be done would be to increase the value of the spousal credit on the income tax form, or by other kinds of cash transfers to such families. This might be financed in part by increasing the taxes on employed women, perhaps by eliminating the Child Care Expense Deduction or by eliminating the personal credit for the lower-income earner in the household. Another approach would

be to tax household income rather than individual income, which would mean that lower-income earners would be taxed at higher rates.

When Proposition 3 is examined closely, it amounts to a statement that having mothers in the labour force is a trend that can be reversed with rational tax policies. We have argued that this flies in the face of at least 30 years of increasing labour force participation of mothers with young children. The size of the tax breaks necessary to reverse this trend would be so large as to be impractical. Such a cost would also be much larger than the cost of any proposed support for good quality early childhood services!

As we will show below, few mothers are likely to respond to relatively small changes in the tax system. Technically, this analysis can be done in terms of estimates of the various responses of mothers to changes in income and wage rates. Economists call these responses "elasticities" (in this case, the elasticity would measure the percentage change in participation rates when there is a 1 percent change in income or in wages). Although estimates of elasticities do vary, they are in general small enough to allow us to state that only enormous changes in the tax system would drive a significant number of mothers out of the labour force.

SOME ESTIMATES OF CHANGES IN THE TAX SYSTEM

What would happen if we were to change the tax system to be consistent with the argument that we ought to induce mothers to return to their homes to care for their children? One obvious way to do this would be to provide greater tax breaks to families in which mothers stay at home to care for children. What kind of changes might we expect in the labour force participation of mothers with young children?

For the economist, this question can be examined in the following way. A tax break for families in which women stay at home amounts to a reduction in the after-tax wages paid to working mothers, combined with an increase in the after-tax income earned by fathers. This is because such a tax break raises the income of families in which only the father works, and because the tax break disappears when the mother enters the labour force, thus reducing the benefits to the family in having the mother work. To analyse the effect of such a policy, we need to know how mothers would respond to such a change. In the language of the economist, this means that we need to know the elasticity of the mother's labour force participation.

Killingsworth & Heckman (1986) examine these elasticities as studied by a number of different economists. Needless to say, the estimates vary significantly, but none of them are particularly large. By this, we mean that the estimates lead to the following conclusion: relatively small changes in the tax system will not have a dramatic effect on work by mothers.

To illustrate this matter, we have chosen to use the estimates derived by Cleveland, Gunderson & Hyatt (1996) in their study of mothers with pre-school children. This study uses data from 1988 and focuses on the group of most interest to us-women with young children. The study finds that a $1000 per year increase in the father's earned income would reduce the mother's probability of working by 0.3 percentage points, while a $1000 per year reduction in the mother's wage rate would reduce the mother's probability of working by 2.5 percentage points. There has been about 40% inflation between 1988 and 2002, so this means that the equivalent changes in 2002 would be a $1400 per year increase in father's earned income and a $1400 per year reduction in mother's wage rate.

In 2002, approximately 65% of women with children under the age of 6 were employed (see Statistics Canada, 2002, p. 12). As we discussed in chapter 5, a major criticism of the current tax system by those who believe that mothers should stay at home focuses on the Child Care Expense Deduction (CCED). The CCED allows mothers with young children to deduct up to $7000 of eligible child care expenses. For most employed mothers, even if they can take the full deduction, this deduction is worth at most between $1600 and $2300 (for women with incomes below $31,677, the federal tax rate is 16%, so a $7000 deduction is worth $1120 in federal taxes saved and about another $500 in provincial taxes, depending on the province; for women with incomes between $31,667 and $63,354, the federal tax rate is 22%, so the $7000 deduction is worth $1540 in federal taxes saved and about another $700 in provincial taxes). Suppose we gave an equivalent tax benefit of $2300 to all stay-at-home mothers? What effect would this have?

According to the Cleveland, Gunderson and Hyatt study cited above, each $1400 benefit extended to families with young children and stay-at-home mothers in 2002 would reduce the probability of the mother working by 2.8 percentage points (2.5 percentage points due to the impact on the implicit wage earned by the mother and 0.3 percentage points due to the impact on father's net wage). Put more simply, this works out to a 2 percentage point decrease in labour force participation for every $1000 in benefit in 2002.

This means that a $2300 tax break would reduce the labour force participation rate by 4.6 percentage points. But in 2001, we found that 68.5% of the mothers with children between the ages of three and five were in the labour force (looking only at women with partners). A reduction of 4.6 percentage points in that figure is not significant, and would amount to moving only about one in every 15 working mothers from the labour force to the home.

How about a larger tax benefit? In our earlier monograph on the costs and benefits of good child care, we proposed that mothers with young children be provided with high quality child care. We estimated the cost of this care at about $8500, of which parents would pay 20%. This would mean spending about $6800 of public money on each child. Inflating this by about 10% to get to 2002, this figure becomes about $7500. Suppose that instead of funding child care, we provided a tax break worth $7500 to all stay-at-home mothers. What kind of impact would that have?

Using the same approach as we did for the smaller tax break, we can show that such a tax provision would reduce the labour force participation rate for mothers with partners by 15 percentage points, from 68.5% to 53.5%. This is a significant reduction still leaves more than half of the mothers of pre-school children in the labour force. And a tax benefit of this magnitude is completely out of line with any other benefit on the tax form. To put it into perspective, the personal credit of $7412 on the 2001 income tax form was worth $1186 in federal taxes and $457 in Ontario provincial taxes, or about $1643 in total. In other words, we would be providing a tax break to families with stay-at-home mothers that is about four-and-a-half times as large as the current personal credits available to Canadian taxpayers.

Furthermore, a tax break of $7500 to families with stay-at-home mothers would amount to extraordinary taxation for most employed mothers. In 1998, the average hourly wage rate for working mothers was $15.61 (Drolet, 2002). Inflating this by about 10% to allow for inflation between 1998 and 2002, we obtain an average hourly wage rate of about $17, which generates an annual income for full time work of about $32,000. When a mother enters the labour force and earns $32,000, she pays Canada/Quebec Pension Plan, Employment Insurance, and Federal and Provincial Income Tax. In addition, her husband loses the credit he currently receives for a stay-at-home spouse. We would estimate the additional taxes paid by the family when the mother works at more than $7000. Sales taxes increase this cost. If we add to this an additional $7500 stay-at-home spouse tax break, which disappears when the mother goes to work, the average working mother would see roughly half of her earnings disappear.

Finally, for the sake of argument, what kind of tax break would be necessary to reduce the labour force participation rate for mothers with young children down to the 17% mark that existed in 1967? (We pick Canada's centennial year because the low labour force participation rate for mothers in that year might seem to be representative of the "good old days" presented by those opposed to mothers' working.) Again repeating our earlier procedure, we would need to provide a tax benefit of about $25,000 to families with stay-at-home mothers in order to return labour force participation rates to their 1967 values. This is about fifteen times as large as the value of the personal credit available to all taxpayers. This figure is so large as to be absurd.

Return to the $7500 tax benefit. Aside from any other problems, this kind of program would be enormously costly to the government. To see this, consider a father earning a gross salary of $75,000 per year (which is well above the Canadian average). This person would pay federal and provincial taxes of about $20,000. A stay-at-home credit of $7500 would wipe out about 40% of the income taxes paid by this affluent taxpayer. Lower income fathers would see even larger reductions in their taxes. Needless to say, this would be expensive! In 2001, there were 1,534,400 mothers with children under the age of 6. If we provided stay-at-home benefits of $7500 to half of these women (remember, about half would still be working, even with this tax break), we would obtain a total cost for the program of just under $6 billion. On top of this, the government would lose the taxes currently being paid by the women who are induced to leave the labour force.

Remember that we estimated that the stay-at-home benefit of $7500 would move about 15% of mothers back into the home, and that families now pay about $7000 more in income taxes when these mothers work. These lost income taxes would total about $1.6 billion, and lost sales taxes would increase this figure. So the total cost of the $7500 stay-at-home benefit would be about $7.5 billion.

This cost is well above the cost of the early childhood care and education program we proposed in 1998. But our program offered benefits to all children: better care to those whose mothers were employed and similar educational services to those whose mothers stayed at home. A $7500 stay-at-home benefit offers nothing to all the children whose mothers would continue to work (about half the children), and no guarantee to children with stay-at-home mothers that the money would flow to early education.

Furthermore, even $7.5 billion is a conservative estimate of a $7500 stay-a-home grant. Since the mother who stayed at home would lose future wage increases due to productivity gains and experience, we could also expect many mothers to stay out of the workforce even when their children turned 6 years old. This would cost further tax revenue.

THE CONTRIBUTION OF EMPLOYED MOTHERS TO THE CANADIAN ECONOMY

The obvious answer to the "mothers would rather stay at home" argument is that neither the families nor the Canadian economy could afford such a move. Mothers are employed because their families depend on them financially. In addition, Canada's prosperity depends critically on the contributions made by working women. The entry of women into the labour force has helped to fuel Canada's economic expansion for 35 years, and employers have access to well-educated and well-trained workers of both genders. The entry of young women into the work force has helped counteract the reductions in the number of workers that occurs as Canada's population ages.

We have already suggested that it would be very hard to offer tax breaks that would cause a significant number of mothers with young children to return to the home without those tax breaks bankrupting the government. But even if we could manage to push mothers back into their homes, could the Canadian economy afford such a move?

Consider the impact of employed mothers on the economy as a whole. In Canada in 2000, looking only at mothers with children under the age of 6, there were 691,500 mothers working full time and 286,800 mothers working part time. Assume that these numbers are the same in 2002, and use our earlier estimate of the gross hourly earnings of these mothers of $17 per hour. If the full-time workers put in 36 hours per week and the part-time workers put in 18 hours per week, we get the following totals:

691,500 full-time X 36 hours X 52 weeks X $17 = $22.01 billion
286,800 part-time X 18 hours X 52 weeks X $17 = $4.56 billion

This would represent a loss to the economy of about $26.57 billion per year if all of these mothers were to stop working. However, even this number is an underestimate. Even if these mothers all rejoin the labour force when their children reach the age of six, they will have lost the benefits of increased wages due to not having gained experience and seniority. These are real productivity losses suffered by the Canadian economy because the mothers have taken off time from the labour force during which their skills have eroded and they have not benefited from on-the-job learning. In our earlier monograph, we estimated these losses to be equal to the salaries earned by these mothers. That means that the economy will lose another $26.57 billion per year because of the effects of a less experienced workforce. The total cost to the economy in lost production would be about $53 billion per year, or about 5 per cent of Canada's Gross Domestic Product.

But all of this probably understates the contributions of working mothers to the economy. Faced with this dramatic decline in the Canadian workforce, we might expect in the long run that there would be less investment of all kinds in Canada. Canada currently has roughly 13 million workers. Again remember that there are 691,500 mothers employed full time and 286,800 mothers employed part time (considering only mothers with children under the age of six). This amounts to about 7.5 per cent of Canada's workforce. In equilibrium, we might expect the effect of the removal of mothers from the workforce to be a shrinking of the Canadian economy by 7.5 per cent. This would be closer to $83 billion.

Finally, if we are really imagining a return to the past, we should also imagine that many of these non-employed mothers will obtain less education and may not return to work even after their children are in school. In that case, the losses will be far greater.

SUMMARY OF THE ARGUMENTS

The argument that "mothers would rather stay at home" exploits the ambivalence felt by most mothers who enter the labour force. Parents care deeply for their children and are sometimes nervous when others care for them. But despite these concerns, young women want to remain attached to the labour force even when their children are young. It is the reward from this attachment and not some illusory bias in the tax system that keeps women working when they have children. Our arguments in this chapter can be summarized as follows:

- Mothers are in the work force in ever greater numbers. Roughly 3/4 of mothers with husbands and with children under the age of 6 are in the labour force and that number grows every year. There is no evidence that this number can be easily reduced, even if we wanted to do so.
- The tax breaks necessary to induce even a small number of mothers to return to the home are quite large. To get a large number of these mothers to return to the home would involve enormous tax breaks and would dwarf the cost of even the best child care program.
- The cost to the Canadian economy of withdrawing a large number of mothers from the workforce is enormous. The number becomes even larger when we consider the reduction in investment in a now smaller economy and the losses of productivity that arise because we withdraw workers for extended periods of time during which their skills erode.
- Since we are both unable to get mothers to leave the labour force and unable to tolerate the losses of productivity were they to do so, we have only two options. Either we ensure that the children of these mothers are well cared for, or we tolerate the current low levels of quality in the care of the most vulnerable and precious of our citizens. Those are the only real choices facing Canada.

CHAPTER 7

The "child care erodes family values" argument

THE FORM OF THIS ARGUMENT IN PUBLIC DEBATE

Part of the resistance to a publicly funded program of early childhood services comes from those who want to safeguard the family's particular and indispensable role in instilling values into children. The fear is that a system of early childhood services might communicate values that are different from and opposed to the values of the family.

The somewhat more extreme version of these fears is voiced by parents who are suspicious of so-called liberal (or secular) humanist values presumably communicated to children by public institutions. These parents are concerned that a public system will be forced to focus on secular "middle-of-the-road" Canadian values and will water down their own stricter values.

These more extreme arguments can be seen as an extension of concerns about the values instilled in children in the public education system. Advocates of this view see a publicly funded child care system as a further incursion into the role of the family in bringing up children. These views are at the core of much of the home-schooling movement, which advocates removing children from the public school system in order to protect them from indoctrination. For example, the "American home-school world" website quotes Marshall Fritz, president of the Alliance for the Separation of School and State: "Our mission is to re-establish parental control of education by reducing or eliminating the government control which has led to propaganda masquerading as education." (www.home-school.com)

Most Canadians would not share these strong concerns but for some, there remains a nervousness about diluting the influence of the family on the values communicated to young children.

THE CENTRAL ROLE OF THE FAMILY IN RAISING CHILDREN

It is hard to imagine that any argument would win over those who suspect a liberal conspiracy to indoctrinate children and see child care as the latest tactic emerging from that conspiracy. For the large number of Canadians who do not hold this view but who are nonetheless concerned about the values being communicated to their children, it is important to emphasize the primary role of the family in communicating values to children.

Parents are, and will remain, in any child care system that we can imagine, the primary communicators of values to their children. The existing evidence suggests that the dramatic growth of non-parental care that has occurred in the last 30 years has not changed the preponderant influence of parents on their children. Thus, while child care may expose children to different values held by other children and adults, children understand the difference between their own family and others; even extensive child care does not interfere with the ability of parents to instil values into their children.

To a large extent, this "family values" argument is a non-debate. Parents are—and will continue to be—the determining factor for young children in the transmission of values. By this, we mean that children's values are overwhelmingly influenced by their parents, even when those children attend full-day child care. Children bond at an early age with their parents and take important cues from them on how to interact with the greater world around them. Research using the National Longitudinal Study of Children and Youth in Canada (Willms, 2002) finds that parents are far and away the biggest influence over their child's development. The studies associated with the NICHD (National Institute of Child Health and Human Development) have also found that parents matter more than anything else. The review sponsored

by the National Research Council and Institute of Medicine (Shonkoff & Phillips, 2000, p. 235) surveys the evidence that non-parental care does not undermine a child's primary relationships.

Those who support publicly financed child care are not in the least dismayed by these findings. Healthy, well-functioning families are the key to healthy, well-functioning (and happy) children. Good child care is a necessary support to parents to allow them to work or go to school, and for families to function well at the same time. In fact, key elements of good "process" quality in child care are the relationships and communication between early childhood staff and parents. Staff need to accept and understand parental values, and need to work to integrate parents' knowledge of their own children with the professional expertise of staff. A partnership between parents and staff is likely to provide the most effective context in which children can flourish, with broad compatibility between the values learned at home and in child care.

DIVERSITY OF VALUES WITHIN A CHILD CARE SYSTEM

It is also important to emphasize that many of the concerns about diverse values can be addressed within a publicly financed child care system. The image that concerns some parents may be that of a public system with a universally prescribed curriculum and with teachers all marching in lock-step. Most supporters of publicly funded child care share many of those concerns and have no interest in building a regimented and inflexible system of services.

Where an early childhood education curriculum is developed, it should be broad and flexible. New Zealand has been an interesting laboratory for discussion of and development of a national early childhood curriculum model. New Zealand was driven to develop its curriculum because of concerns about the differences in values between Maori and Pacific Island peoples and the white population with predominantly Anglo-Saxon heritage. The curriculum that has evolved is called Te Whariki and is built around the metaphor of the "woven mat". The curriculum is a set of broad principles seen as providing a framework but allows each early childhood sector to weave its own distinct pattern. Key principles of openness, acceptance of different cultures and anti-racism have been important in building consensus on a set of accepted practices which focus on children's needs.

Most proposals for implementing public funding for child care retain elements of local and parental control that are entirely consistent with having a wide variety of different types of facilities and arrangements within a publicly supported child care system. There are at least two possible models for such a system. In the first, many of the child care facilities would be run by non-profit organizations with different philosophies and pedagogical viewpoints. Many of these facilities would have governing boards (composed largely of parents) able to collectively influence the direction of activities, play and learning. In the second model, child care facilities would be in the public sector, administered locally, but funded under a provincial ministry. There might be a separate ministry, or the system could be run through a branch of the existing Ministry of Education. There would be parental input in each child care facility. As Canada develops its early childhood education and care services, these services could resemble the first model for children less than 3 years of age and be more similar to the second model for children over 3 years of age.

It is true now and it will be true in any new publicly financed early childhood education system that parents will be permitted to choose among a variety of alternative types of not-for-profit child care and early educational institutions. This is what happens in virtually all countries which have comprehensive publicly supported child care, particularly when children are 3 years of age or less (i.e., before school or pre-school). Parents are able to choose from group centre-based education and care, family child care (in a caregiver's home) and part-day programs. Most countries currently provide this variety through publicly-run organizations. Some other countries rely on a mix of providers, some public and some private. In the latter case, particularly for younger children, there is often a range of non-profit and local organizations that provide early childhood services with differing emphases on cultural and other traditions, according to the wishes of the parents served.

In practice, we imagine that a variety of pedagogical approaches to early learning will be acceptable within the publicly funded system, particularly for younger children. That means we can anticipate a variety of child care centres that might stress musical education experiences, or physical activities or special exposure to environment and nature. In some provinces such choices are already possible within the public school system.

Of course, there are some, but arguably reasonable, limits to the diversity of values that will be encouraged and accepted in these early education facilities. The basic group values of inclusion, tolerance, and diversity would be important in all services. The number of parents who would broadly disagree with these values would be very small. Any society depends on its ability to build a core of commonly held values and beliefs. These values and beliefs are democratically determined and are represented in our legislation and our human rights codes. One advantage of child care is that the essential Canadian values of tolerance and diversity are more easily transmitted in a group setting with children from different backgrounds.

Communicating these values to children is essential but at the same time Canadians generally respect the rights of parents to educate their children in the parents' values and beliefs. This creates a natural and inevitable tension that exists whether or not there is a publicly funded child care system.

It is easy to portray this tension in inappropriate ways, suggesting that we must somehow choose between one extreme and the other. Either parents retain full control over the values to which their children are exposed or all control is somehow ceded to some central agency. The reality is hardly that stark. This tension between parental and societal values (often manifested for most parents in the choice between wanting to control their children's experiences and wanting their children to be integrated into the wider culture) is resolved in our society through a series of compromises. We presume that similar types of compromises will occur in child care.

What is not generally specified is the limits that one might place on the values that might be championed in child care institutions. It might be true that if Canada were to decide to radically expand its funding of early childhood education, there would exist a number of special interest groups that would seek to open child care centres with specific learning or other agendas. Determining which of these will be permitted within the publicly supported system requires more debate than has yet occurred.

A publicly funded system would have to establish and enforce standards of various types. We imagine that these standards will establish two types of guidelines in the "values" area. There will be standards both for what must be included and for what must not be included in any funded centres. The first set of standards are likely to focus on educational values—that is, on what kinds of experiences we would require in all centres. These are not likely to be difficult for different groups to agree on. The second set of standards—standards of what must not happen in the centre—are likely to focus on issues of inclusion. Thus, while we are willing to allow particular groups to have clear orientations within their particular centres, the centres must not act in ways that specifically exclude, either de facto or de jure, significant groups within society. This is a fine line, and one that will not always work perfectly. A good model may be contained in the rules applied to Catholic schools that operate within the educational systems in a number of provinces in Canada.

Our answers in this section may be unsatisfying to those who would prefer simple solutions to complex problems. And there is legitimate room for much debate on these issues amongst supporters of publicly financed early childhood services. But there exist in Canada tensions between multiculturalism and the need to build a Canadian identity, and between local and central jurisdiction. These common concerns in Canada are hardly limited to child care. Because a child care system can be somewhat more decentralized even while it is publicly funded, we would expect that the resolution of these tensions will be somewhat easier in the child care field than in other areas of public debate.

The debate on values tends to focus on differences among families. It is also important to emphasize that there is considerable consensus in Canada on the values that ought to be communicated to children. Most Canadians want their chil-

dren to be honest, to value learning, to treat others with respect, and so on. We would expect that most parents will feel comfortable with the limits that we imagine being imposed in a publicly funded child care system. The goals and values of most parents in Canada would not be compromised by their children's participation in the system.

EARLY CHILDHOOD SERVICES WILL NOT BE COMPULSORY

Even these very broad guidelines for early childhood education discussed in the previous section will not be acceptable to every parent and every organization in Canada. There exist groups in Canada that feel uncomfortable with the values embraced by most Canadians. As we argued at the beginning of this chapter, these groups want their children shielded from those values. They view any publicly funded child care system as an attack on their values and on their ability to shield their children. They also fear that child care itself may erode the control that parents have over the values of their children in basic and threatening ways.

This attack on child care is no different than the general attack on those values in the public school system. Some parents have chosen to opt out of the public education systems in Canada. We might expect some of the same parents and groups to opt out of any publicly funded early childhood educational system.

In some sense, this opting out is somewhat easier for young children than for school-aged children. Education of all children is mandatory in Canada, so that those who choose to home-school their children or to start up independent schools must meet certain centrally determined criteria for curriculum and achievement. We would not propose that early childhood education be made compulsory.

No parent or child would be required to participate in the publicly funded child care and early educational experiences that we propose. Parents may choose simply to keep their young children at home (and would not be required to submit plans for home-schooling) or to send them to private institutions of their own choosing. This continues the tradition in the majority of provinces that kindergarten is not compulsory. However, just as when parents choose private schools, they are not relieved from the requirement to pay taxes to support the public system, we also anticipate that parents will not withdraw resources from the publicly supported child care system if they choose not to use it. The flexibility and diversity represented in Canada's child care system must be sufficiently broad that only a very small number of parents feel compelled to opt out over the issue of "values."

SUMMARY OF THE ARGUMENTS

Some parents are concerned that publicly funded early childhood services will erode the values communicated to children within their families. We believe that these fears are exaggerated, and that most Canadians will be able to feel comfortable within any reasonably-designed child care system. The reasons for this belief are as follows:

- Parents will remain the most important influence on their children. Even children in full-day child care from an early age are primarily influenced by their parents. Thus, children will continue to derive their primary values from their parents.
- Child care centres and early education facilities will have considerable freedom to reflect different pedagogical approaches and cultures. This freedom will be limited by certain restrictions against exclusionary practices, but the vast majority of Canadian parents will be able to enrol their children in facilities whose values are compatible with those of the family.
- No parent would be required to participate in the system.

CHAPTER 8
The "it costs too much" argument

THE FORM OF THIS ARGUMENT IN PUBLIC DEBATE

Lurking behind much of the debate on child care is the sheer cost of a comprehensive child care program. Child care is expensive and good child care is even more so. Thus, when Canadian policy makers have considered expanding funding for child care, they may have drawn back in part because of this concern. Instead, they have tended to offer policies that sound impressive but amount to only minor expansions of the currently haphazard and inadequate programs.

For example, Martha Friendly (2001) notes that, "[i]n 1984, 1986, and 1995, three successive federal governments announced that a national strategy for child care would be developed, and each time no such policy materialized" (p. 32.). In 1984, just before losing the next election, the Liberal government established a Task Force to examine child care policy. When the Task Force reported two years later, it proposed a comprehensive program of publicly funded child care to be available to all children from birth, at an eventual cost in excess of $11 billion annually.

In anticipation of this proposal, the new Conservative government had already established its own federal committee in 1986. This committee's report in 1987 was much more modest in its aims and did not involve enough new money to fund a significant expansion in child care. When the Conservative government proposed legislation based on this report, its lack of comprehensive coverage, absence of national standards, and its encouragement of for-profit care caused child care activists to oppose the proposal. This legislation died when the next election was called.

Finally, the incoming Liberal government in 1993 had committed itself to a significant expansion of regulated child care in the Red Book (the Liberal's election document). But the scheme foundered when funding for child care was cut back and rolled into the block funding of the Canadian Health and Social Transfer. In the midst of concern about the deficit, there was little enthusiasm for any expansion of federal child care funding. The provinces (with the exception of Quebec) were hamstrung by cuts in federal transfer payments and were hard-pressed to come up with increases in child care funding that did more than just compensate for inflation.

The situation could appear to be unchanged today (although modest amounts of additional federal funding for regulated child care were announced as this manuscript went to press). Canadian governments are still concerned about the reality of accumulated public debt and the possibility of future deficits. Any new money that appears in government coffers will have plenty of claimants among existing programs (Medicare being a prime example), making any expansion of child care funding problematic. Furthermore, new taxes have been anathema to conservative-minded governments that have focused on tax cuts in recent years, rather than on expanding funding for social programs. "Competitiveness" is the new watchword, and Canadians are warned on a regular basis that our high taxes make Canada a difficult place to do business.

Those who oppose child care are quick to point to the high cost of comprehensive programs in arguing against them. For example, in a letter to the National Post, Adrienne Snow, from the National Foundation for Family Research and Education wrote:

> A wealth of economic data suggests that the high taxes needed to pay for universal day care can produce such a profound drag on the economy and on job creation that any "head start" on life children may get from attending early childhood education programs is likely to be cancelled out by the effects of graduating into economies characterized by the rampant unemployment that plagues many of the universal day care-providing countries of western Europe (May 11, 2000).

Opponents of high taxes and the welfare state are quick to condemn funding for child care. For example, in a controversial article, Sherwin Rosen (1996) argued that Swedish expenditures on child care were too high, endangering that country's economic health:

> The efficiency losses may be substantial, perhaps as large as half of the direct expenditures on these programs. Whatever those may be, there is evidence that child-care subsidies are too large and that a reduction accompanied by a budget balancing reduction in marginal income taxes would increase efficiency (p.732).

WHY IS CHILD CARE SO EXPENSIVE?

Good quality child care and early childhood education services are expensive. The reason is that child care is a very labour-intensive activity requiring direct interaction between teachers and children. Thus, child care and education are unlikely to benefit from the improvements in technology that keep costs down in other parts of the economy. Since labour costs usually rise faster than the consumer price index, the real cost of child care will continue to rise over time.

What are the current facts about the cost of child care? A spot in a regulated child care centre in Canada for a pre-schooler (a child over the age of 3) in 1998 cost $5400 per year (costs varied significantly across the country) (Friendly, Beach & Turiano, 2003). Allowing for inflation, this cost would be about $6000 in 2002. Even in unregulated, unsupervised family home child care, the costs are significant and typically runs between 60% and 75% of the rate in regulated, supervised centres.

These costs do not disappear if mothers care for children in their own homes. Parental care also uses time, and that time is valuable. When mothers stayed at home full time with their children, the Canadian economy lost the enormous market productivity of these women (of course fathers might just as easily have stayed at home with children, but this has not generally happened in Canada). The real cost to the Canadian economy of returning to such a situation would be a staggering loss of valuable goods and services these women and men currently produce.

In chapter 6, we estimated the contribution to G.D.P. of mothers with young children now in the labour force at about $53 billion, about 5% of G.D.P. When we further considered the reduction in investment in the long run in a now smaller economy, the estimate of the loss was $83 billion, or about 7.5% of G.D.P. Put another way, a large part of Canada's global competitiveness is due to the productivity of its working parents. It "costs too much" not to have these parents working.

But if we can't afford to return mothers to the home to care full time for their young children, aren't there cheaper ways to provide that care? After all, the majority of employed mothers with young children do not purchase the high cost of regulated early childhood education and services that we recommend. Instead, they use the relatively cheaper services provided by unregulated caregivers who either care for children in their own homes or come to the children's homes.

The unfortunate reality is that in child care, as in many other things, you get what you pay for. Certainly, there are some competent unsupervised caregivers providing informal care in Canadian neighbourhoods. But most of these providers are untrained and have few other opportunities in the workforce. Few of them have the skills needed to design and deliver the enriched early educational experiences required by the young children in their care. Most working families do not have the income to purchase the high quality child care that would benefit their children. As we discussed in chapter 3, the period of time during which parents with young children are employed and paying for child care is when families are under the most extreme financial pressures. Yet the payoffs to children and to the Canadian economy in the long run require that those children receive higher quality care than their parents can afford to purchase.

BUT CAN GOVERNMENTS AFFORD THE HIGH COST OF CHILD CARE?

The fundamental problem with any argument based upon the high cost of child care is that it rests on a flawed view of what child care is. If child care were a luxury consumption good, like a marina or a golf course, then it would be correct to ask whether or not we could afford this kind of high-end public consumption. But child care is more appropriately

seen as an investment in productivity, both today and in the future. In that sense, it is a cost of doing business. And like any business expense, the correct question is whether the payoff justifies the expenditure.

As an investment in present productivity, good child care allows mothers to be employed and to have families. Having mothers in the labour force has improved Canadian productivity and ultimately Canadian competitiveness. The continuing expansion of labour force participation for women expands G.D.P. and Canadian well-being. If they have access to good child care, women will no longer have to choose careers that provide temporary incomes until their children are born, working at jobs that use their skills in relatively low level ways so that they can leave and re-enter the labour force as the demands of their families dictate. These women can increasingly move into high-skill high-education jobs, which may explain their increasing representation in law and medicine. By providing a larger pool of high talent applicants for top positions, the provision of good child care is an important factor in Canadian productivity.

Child care expenditures also have to be seen as an investment in the future workplace productivity of today's children. Children who receive better child care grow up to be more productive citizens and workers. We are beginning to understand the important effects of early educational experiences on future outcomes, both in terms of future educational achievements and eventually in terms of better productivity. But our public programs do not—with the exception of Quebec—reflect that understanding. In our 1998 study, we documented the fact that while Canadians spent $42 billion on education once children entered school (the figure is for public and private spending on education from kindergarten through university), public spending on child care totalled only about $1 billion (the figures would be considerably higher in 2002, largely because of the significant increase in spending in Quebec).

An investment project is either a good one (because it has a rate of return that exceeds the market cost of funds) or a bad one (because its rate of return is too low). If the project is a good one, then a larger project is a better project because the profits are correspondingly higher. When developers build more houses rather than fewer houses, they do so precisely because the investment is profitable, so that a larger investment is correspondingly more profitable than a smaller investment. In this context, then, the issue is not total cost, but whether child care represents a good investment in working women and in children.

Suggesting that good child care is beyond Canada's means is "penny wise and pound foolish". The error results because the problem is being framed in the wrong way. Critics of child care are making the mistake of viewing early childhood education and care as if it were a program providing consumption goods to families. Instead, it is more useful to view good child care as an investment in Canada's productivity. Good child care allows parents to hold down jobs and produce Canada's goods and services, secure in the knowledge that their children are receiving the care they require. And good child care provides the skills and human capital needed by young children to do well in school and to prosper in their future work lives.

BUT SHOULD THE GOVERNMENT PAY FOR CHILD CARE AND EARLY EDUCATION?

Both quotations in the first section of this chapter suggested that the taxes necessary to fund child care would create a drag on the economy. But both implicitly assume that child care is in some sense essentially unproductive. However, if child care represents a productive investment, then the returns are more than adequate to fund the cost.

In the end, the argument returns to the basic discussion of public benefits that we provided earlier. If child care is essentially a private good, then critics are correct in arguing that it should not be in the public sector, and that moving it there would be inefficient. But we have argued that child care has important public benefits, and it is these benefits that justify public expenditures.

THE BENEFITS AND COSTS OF GOOD CHILD CARE

When we did our cost-benefit study, (Cleveland & Krashinsky, 1998), we costed a national program providing good child care to all children between the ages of 2 and 5, and estimated that there would be $5.3 billion in new government expen-

ditures. Such a program would provide the required amount of care to all children whose parents were employed, while families with a parent at home full time would receive an early educational program for their children.

The benefits from such a program would have provided about $2 in new benefits for every $1 in new government expenditure (costs would be shared in some way between the federal and provincial governments). If we were to redo these calculations for 2002, the outcome would have been the same, although of course both the costs and benefits would have risen approximately by the rate of inflation, which ran about 9.3% over the four year period between 1998 and 2002. The new costs might, in fact, be somewhat less than $5.3 billion, because in the interim, the government of Quebec has developed a comprehensive child care program of its own. Any new federal program would however inject new money into this program.

It is worth reviewing the source of the benefits that we identified. There are two distinct benefits. First, the quality of the early educational experience of almost all children in this age range would improve dramatically. Children whose mothers are currently employed would move into higher-quality publicly-funded child care. Even children already in child care centres or in supervised home care would see the quality of their care rise in most cases. However, the biggest gains would be for children currently cared for in a haphazard way by low-paid underqualified and unregulated caregivers. Children whose mothers are not currently employed would also receive early educational programs. The largest benefits would accrue to children who do not currently participate in such programs. When we added up these benefits in 1998, they totalled roughly $4.3 billion.

It is important to emphasize that these benefits are difficult to estimate. We used several methods to come up with these numbers, but the real value of the benefits is likely to be somewhat different. However, because our estimates were extremely cautious, we would expect the true value of the benefits to be significantly higher than what we put in the 1998 report.

The second set of benefits revolved around the increases in employment among mothers now eligible for publicly funded child care. The high cost of child care – even the low quality care provided by unregulated neighbourhood caregivers— is a significant barrier to the entry of mothers with young children into the labour force. That so many mothers are employed despite these barriers is testimony to the significant benefits to families and children to be had from the incomes earned by those mothers. More public funding for child care would increase labour force participation by mothers. Some of those now at home full time would choose to enter the labour force; some of those employed part time would choose to increase their hours. We derived numbers for these changes based on a number of existing studies which estimated the effect of a reduction in the cost of child care on labour force participation. The increases in hours worked can be valued using the wages earned by employed mothers. We then increased these wages to take into account the increases in future productivity derived from the additional experience and on-the-job training received by these mothers. When we added up these benefits in 1998, they totalled roughly $6.2 billion.

The total cost to the government of the child care program would have come to $7.9 billion in 1998. We assumed that parents would pay roughly 20% of the cost of the program. This number came from the 1993 Liberal election platform, which used this percentage to compute the cost of their child care proposals. Again, we chose a more conservative approach in assessing the costing of the program to the government. Subtracting 20% from $7.9 billion leaves a public cost of $6.3 billion. Since governments in 1998 were already spending roughly $1 billion on child care, this is how we came up with the net figure of $5.3 billion new public expenditures on child care. These new funds need not all appear in the first year. The Quebec child care program was phased in one year at a time, allowing for a more gradual ramping up of expenditures.

The total increase in benefits totalled $4.3 billion plus $6.2 billion, or about $10.5 billion. Comparing this with the $5.3 billion in new public money, we derived our figure of $2 in benefits for every $1 in new costs.

The cost of the proposal we have made is somewhat less than the cost of comprehensive proposal of the Liberal Task Force in the 1980s (Cooke, Edwards & Rose-Lizée, 1986). The proposals in the Cooke Report would have cost about $17 billion

in 2002 dollars. The reason for this higher cost is that the Cooke Report provided free full-day child care for all children, including infants and school age children while we limited our proposal to children ages 2 to 5 and provided only part-day early education to children whose parents did not enter the labour force.

WOULD PUBLICLY FUNDED CHILD CARE MAKE CANADA UNCOMPETITIVE?

It has become fashionable among socially conservative politicians and ideologues to use the argument of international competitiveness to attack all social programs. Stripped of the rhetoric, these arguments go approximately as follows: public programs require funds, and these funds are raised by taxes. Taxes are a cost of doing business in Canada, and furthermore, higher taxes raise the cost of doing business in Canada and make us less competitive. Since the United States is our major trading partner, Canadian businesses are competing with American firms, and any public programs in Canada that are not also present the U.S. are seen as making us less competitive.

This argument is fundamentally flawed, although it has become a part of a general attack on the entire Canadian public sector. The flaw in the argument is that it completely ignores the expenditure side of the public sector. By looking at only the cost side, it naturally makes any public expenditure look bad.

For example, the existence of a publicly-funded medical care system in Canada is certainly part of the cost of doing business in Canada, because Canadian taxes pay for the program. But the system also delivers direct benefits to Canadian firms. Workers in those firms are healthier and thus, are able to work more effectively. Firms do not have to set up and help fund medical care insurance, and this saves a great deal. In fact, since the public sector is able to deliver medical care in Canada at a lower cost than health care in the U.S. with no lower level of medical outcomes in Canada, the existence of our Medicare system can better be seen as a competitive advantage, rather than a disadvantage.

The same argument could be made for the public education system in Canada. To the extent that this system is effective, it prepares the workers who then take jobs with corporations in Canada. A good educational system is a critical asset in remaining internationally competitive. If high-skilled workers in Canada feel comfortable sending their children to public schools in Canada, they will accept paid lower wages to work here than they otherwise would need if they had to send their children to private schools. A good educational system will draw corporations to Canada, even though their workers in fact pay the taxes to sustain that system.

It is easy to see how this argument extends to child care services. Good child care services cost money and the taxes that support those services do have a negative impact on competitiveness. But the benefits of a good child care system have a positive effect on competitiveness, and if the benefits outweigh the costs—as we have argued they do—then the net effect is to make Canada more competitive, not less. For example, for a firm thinking of locating in Canada, a good child care program makes available a larger potential workforce of skilled workers by freeing up able women to work at long-term high-skill jobs. A firm also needs good workers in the future, and the positive effects of child care on children help make them better, more productive workers. Thus, despite the cost of taxes necessary to pay for good child care, the benefits on balance make Canada more—rather than less—internationally competitive.

Canada's strong social programs are what make Canada a good place to live and work. In that sense, they make us more competitive, not less so. A child care program has two strong benefits, both of which attract business to Canada rather than driving it away. Good child care allows mothers to enter the labour force and encourages them to participate in higher education and training to prepare for a life in that labour force. The participation of skilled women in the labour force has made Canada the productive economy it is today and is in fact responsible for a good part of the growth of our economy over the past 35 years. That skilled workforce is one important reason why corporations choose to set up business in Canada.

The second benefit of good child care lies in the early educational experiences that it provides to young children. Armed with these experiences, these children are more successful learners when they enter school and derive more from their education. These children go on to remain in school longer and acquire more of the skills that make them effective work-

ers in the future. The strength and productivity of our workforce in the future is another reason why corporations choose to locate here. Further still, high quality experiences for their own children are a magnet for entrepreneurs and executives looking for good places to live.

Finally, it should be emphasized that while the $6.3 billion annual price tag on our proposal (not all of that is new money, of course) is certainly significant, it is hardly extraordinary. The figure is roughly $\frac{1}{2}$ of 1 percent of Canada's G.D.P. (and G.D.P. itself would rise as more parents enter the labour force). Many OECD countries spend more than that on child care and early education.

SUMMARY OF THE ARGUMENTS

The argument that "it costs too much" exploits the fear that many Canadians have about the size of the public sector and the potential for a return to deficit spending. But although good child care is expensive, it will strengthen the Canadian economy rather than weaken it. Our arguments in this chapter can be summarized as follows:

- Spending on child care is an investment rather than a consumption expenditure. The test of any investment is whether the rate of return justifies the expense.
- Good child care generates two types of returns. The first is the productivity of the parents freed to enter the labour force. The second is the increase in future productivity of children who receive early educational experiences.
- When benefits and costs are both accounted for, public expenditures on good child care generate at least a 2-for-1 return, producing $2 in benefits for every $1 in new spending.
- Competitiveness is enhanced rather than compromised because good child care makes Canada a better place for companies and their executives to locate.

CHAPTER 9
Concluding remarks

If we imagine that a generation now spans about 35 years, then this generation's children are leading very different lives than their parents did. Thirty-five years ago, almost all young Canadian children had mothers at home full time—in 1967, only 17% of the mothers of children under the age of 6 were in the labour force, and many of those mothers had little intention of returning to work even when their children were in school. Now, about $\frac{2}{3}$ of young children have working mothers, and most mothers think of themselves as having a permanent attachment to the labour force.

Yet Canada's child care policies have evolved much more slowly over that period than have the lives of the children they should have been serving. In 1967, we were already developing subsidies for the child care available to Canada's poorest families. Despite considerable political debate and commitments since then, there has been relatively little progress outside of the province of Quebec.

To us, this lack of progress is shocking. Research tells us that what happens in the lives of young children is critical in how they develop and learn. Yet while their parents work, the majority of Canada's children receive inadequate care in unlicensed unsupervised facilities. This care is provided by workers who are often untrained and who receive compensation barely above the minimum wage. Former U.S. Senator Daniel Patrick Moynihan asked the appropriate question: "Will we be the first species that forgets how to raise our young?"

Whenever proposals are made to remedy this situation, a series of objections are always raised: "children are better off with their parents"; "parents have children--they should raise them"; "child care costs too much". It is to deal with these objections that we have written this monograph. We hope to arm those who fight in the public arena for good child care with the facts to address these arguments.

We are of course both economists. Not for nothing is economics referred to as the dismal science. The attention to dollars and cents demanded by the profession seems light years away from the concerns of children and those who care for them. Yet our experience has suggested that the tools of economics can be brought to bear on the issue of child care in ways that are more persuasive to policymakers than one might expect. Since the objections to child care programs are often phrased using economic principles, it seems appropriate to meet those objections on the same ground.

Despite the lack of progress in child care policy, we remain optimistic. We sense a certain desperation in the arguments brought against child care, as if those who make those arguments understand that the forces of history are against them. Women are in the labour force to stay. Their children need better care. The prosperity of the country—both now and in the future—depends on developing good child care policies.

More than arguments, governments respond to voters. Children don't vote, but their parents, grandparents, aunts, and uncles do. Increasingly, politicians have working parents in their families and know the children of those working parents. Canada has the example of Quebec. We are struck by the fact that despite the high cost of Quebec's new program, and despite the fact that little federal money has flowed to this province to assist it in paying for the program, the new child care policies are overwhelmingly popular with Quebec citizens.

As we write the final draft of this monograph, Canada is heading towards a change in federal leadership and then a federal election. We hope that child care will once more emerge on the agenda of that campaign. And we hope that this volume will aid those committed to child care in their efforts to convince politicians and voters of the need for comprehensive, high quality child care programs.

REFERENCES

Ainsworth, M. (1969). Object relations, dependency, and attachment: A theoretical review of the infant-mother relationship. *Child Development*, 40(4), 969–1025.

Andersson, B. E. (1992). Effects of day-care on cognitive and socioemotional competence of thirteen-year-old Swedish school children. *Child Development*, 63, 20–36.

Barnett, W. S. (1993). Does Head Start fade out? *Education Week*. May 19.

Barnett, W. S. (1995). Long-term effects of early childhood programs on cognitive and social outcomes. *The Future of Children*, 5, 25–50.

Barnett, W.S. (1998). Long-term effects on cognitive development and school success. In W. S. Barnett & S.S. Boocock (Eds.), *Early care and education for children in poverty: Promises, programs and long-term results* (pp. 11–44). Albany, NY: State University of New York Press.

Barnett, W.S. (2001). Preschool education for economically disadvantaged children: Effects on reading achievement and related outcomes. In S. Neuman & D. Dickinson (Eds.), *Handbook of early literacy research*. (pp. 421-443). New York, NY: Guilford Press.

Barnett, W.S. (2002). *The battle over Head Start: What the research shows*. New Jersey: National Institute for Early Education Research, Rutgers University.

Belsky, J. (1988). The effects of infant day care reconsidered. *Early Childhood Research Quarterly*, 3, 235–272.

Belsky, J. (1989). Infant-parent attachment and day care: In defense of the Strange Situation. In. J. Lande, S. Scarr & N. Gunzenhauser (Eds.), *Caring for children: Challenges to America* (pp. 23–48). Hillsdale, NJ: Lawrence Erlbaum Associates.

Belsky, J. (1994). *Effects of infant day care: 1986–1994*. Paper presented September 1994 at the British Psychological Society Section on Developmental Psychology, Portsmouth, England.

Belsky, J. & Steinberg, L.D. (1978). The effects of day care: A critical review. *Child Development*, 49(4), 92–949.

Belsky, J., Steinberg, L.D, & Walker, A. (1982). The ecology of daycare. In M. Lamb (Ed.), *Nontraditional families* (pp. 71–116). Hillsdale, N.J.: Lawrence Erlbaum Associates.

Blau, D. (1999). The effects or child care characteristics on child development. *The Journal of Political Economy* 106(1), 786–822.

Blau, F. & Grossberg, A. (1992). Maternal labour supply and children's cognitive development. *Review of Economics and Statistics*, 74,474-81.

Boessenkool, K. (1999). Putting tax policy in its place: How social policy took over the tax treatment of the family. In D. W. Allen & J. Richards (Eds.), *It takes two: The family in law and finance*. C.D. Howe Policy Study 33. Toronto, ON: C.D. Howe Institute.

Bowlby, J. (1951). *Maternal care and mental health*. New York: Columbia University Press.

Bowlby, J. (1958). The nature of the child's tie to his mother. *International Journal of Psychoanalysis*, 39, 350–373.

Bowlby, J. (1969). *Attachment*. London: The Hogarth Press & The Institute of Psycho-Analysis.

Brooks-Gunn, J., & Han, W. & Waldfogel, J. (2002). Maternal employment and child cognitive outcomes in the first three years of life: The NICHD study of early child care. *Child Development*, 73(4), 1052–1072.

Brooks-Gunn, J. (2003). Do you believe in magic? What we can expect from early childhood intervention programs. *Social Policy Report*, XVII(1). Chicago: Society for Research in Child Development.

Burchinal, M.R., Roberts, J.E., Riggins, R., Zeisal, S., Neebe, E. & Bryant, D. (2000). Relating quality of centre child care to early cognitive and language development longitudinally. *Child Development*, 71(2), 339–357.

Campbell, F., Pungello, E., Miller-Johnson, S., Burchinal, M., & Ramey, C. (2001). The development of cognitive and academic abilities: Growth curves from an early childhood experiment. *Developmental Psychology*, 37(2), 231–242.

Chin-Quee, D. S., & Scarr, S. (1994). Lack of early child care effects on school-age children's social competence and academic achievement. *Early Development and Parenting*, 3, 103–112.

Cleveland, G., Friendly, M. & Lero, D. (2001). *Early childhood education and care: An agenda for data collection: final report*. Draft report in mimeo. Toronto, ON: Childcare Resource and Research Unit, University of Toronto.

Cleveland, G., Gunderson, M. & Hyatt, D. (1996). Child care costs and the employment decision of women: Canadian Evidence. *Canadian Journal of Economics*, 29(1), 132–51.

Cleveland , G. & Krashinsky, M. (2001). *Our children's future: Child care policy in Canada*. Toronto, ON: University of Toronto Press.

Cleveland, G., & Krashinsky, M. (1998). *The benefits and cost of good child care*. Toronto, ON: Childcare Resource and Research Unit, University of Toronto.

Cooke, K., London, J., Edwards, R. & Rose-Lizée, R. (1986). *Report on the Task Force on Child Care*. Ottawa, ON: Status of Women Canada.

Currie, J. & Thomas, D. (1995). Does Head Start make a difference. *American Economic Review*, 85(3), 341–364.

Currie, J. & Thomas, D. (2000). School quality and the longer-term effects of Head Start. *Journal of Human Resources*, 35(4), 755–774.

Currie, J. (2000). *Early childhood intervention programs: What do we know?* Los Angeles, CA: National Bureau of Economic Research, University of California at Los Angeles.

Deater-Deckard, K. Pinkerton, R., & Scarr, S. (1996). Child care quality and children's behavioral adjustment: A four-year longitudinal study. *Journal of Child Psychology and Psychiatry*. 37(8), 937–948.

Doherty, G., Lero, D. S., Goelman, H., LaGrange, A. & Tougas, J. (2000). *You bet I care! A Canada-wide study on: Wages, working conditions, and practices in child care centres*. Guelph, ON: Centre for Families, Work and Well-Being, University of Guelph.

Drolet, M. (2002). *Wives, mothers and wages: Does timing matter?* Statistics Canada Working Paper # 186, Catalogue #11F0019MIE-186. Ottawa, ON: Statistics Canada.

Friendly, M. (2001). Child care and Canadian federalism in the 1990's: Canary in a coal mine. In G. Cleveland & M. Krashinsky (Eds.), *Our children's future: Child care policy in Canada*. Toronto, ON: University of Toronto Press.

Friendly, M., Beach, J. and Turiano, M. (2003). *Early childhood education and care in Canada 2001*. Toronto, ON: Childcare Resource and Research Unit, University of Toronto.

Garces, E., Currie, J. & Thomas, D. (2000). *Longer term effects of Head Start*. NBER Working Paper 8054. Cambridge, Massachusetts: National Bureau of Economic Research.

Goelman, H., Doherty, G., Lero, D., LaGrange, A. & Tougas, J. (2000). *You bet I care: Caring and learning environments: Quality in child care centres across Canada*. Guelph, ON: Centre for Families, Work and Well-Being, University of Guelph.

Goelman, H. & Pence A. (1987). Effects of child care, family and individual characteristics on children's language development: The Victoria Day Care research project. In D.A. Phillips (Ed.), *What does the research tell us?* (pp. 89–104). Washington, D.C.: National Association for the Education of the Young Child.

Helburn, S. W. (Ed.). (1995). *Cost, quality and child outcomes in child care centres*. Denver: Department of Economics, Center for Research and Social Policy, University of Colorado at Denver.

Hertzman, C., Kohen, D. & Willms, J. D. (2002). The importance of quality child care. In J.D. Willms (Ed.), *Vulnerable Children* (pp. 261–276). Edmonton: University of Alberta Press.

Hill & O'Neill (1994). Family endowments and the achievements of young children with special reference to the underclass. *Journal of Human Resources*, 24 (4), 1064–1100.

Hill, J., Waldfogel, J. & Brooks-Gunn, J. (2002). Differential effects of high-quality child care. *Journal of Policy Analysis and Management*, 21(4), 601–627.

Hofferth, S. (1999). Child care, maternal employment, and public policy. *The Annals of the American Academy*, 563, 20–38.

Howes, C. (1988). The peer interactions of young children. *Monographs of the Society for Research in Child Development* Serial #217, 53(1).

Karoly, L.A., Greenwood, P.W., Everingham, S.S., Hoube, J., Kilburn, M.R., Rydell, C.P., Sanders, M., & Chiesa, J. (1998). *Investing in our children: What we know and don't know about the costs and benefits of early childhood interventions*. New York: RAND.

Killingsworth, M. R. & Heckman, J.J. (1986). Female labor supply: A survey. In O.C. Ashenfelter & R. Layard (Eds.), *Handbook of Labour Economics*, Volume 1. New York: North Holland.

Krashinsky, M. & Cleveland, G. (1999) *Tax-fairness for one-earner and two-earner families: An examination of the issues*. Canadian Policy Research Networks Discussion Paper No. F 07. Ottawa, ON: Canadian Policy Research Networks.

Lamb, M.E. (1998). Non-parental childcare: Context, quality, correlates and consequences. In I.E. Siegel and K.A. Renninger (Vol. Eds.), *Child psychology in practice*, W. Damon (Series Ed.) *Handbook of Child Psychology* (5th edition) (pp. 73–134) New York, NY: Wiley.

Lefebvre, P & Merrigan, P. (2002). The effect of childcare and early education arrangements on developmental outcomes of young children. *Canadian Public Policy-Analyse de Politiques*, XXVIII(2), 159–186.

Love, J., Schochet, P. & Meckstroth, A. (1996). *Are they in any real danger? What research does—and doesn't—tell us about child care quality and children's well-being. Child care research and policy papers: Lessons from child care research*. Princeton, NJ: Mathematica Policy Research, Inc.

Masse, L.N. & Barnett, W.S. (2003). *A benefit-cost analysis of the Abecedarian early childhood intervention*. Available online (National Institute for Early Education Research website): www.nieer.org

McCain, M. & Mustard, F. (1999). *Reversing the real brain drain: The early years study*. Toronto, ON: Government of Ontario.

McCartney, K. & Rosenthal, S. (1991). Maternal employment should be studied within social ecologies. *Journal of Marriage and the Family*, 53, 1103–1107.

Michalski, J.H. (1999). *Values and preferences for the best policy mix for Canadian children*, CPRN Study No. F05. Ottawa, ON: Canadian Policy Research Networks Inc.

National Institute of Child Health and Human Development (NICHD). (1998). *The NICHD study of early child care and youth development*. Available online: http://156.40.88.3/publications/pubs/early_child_care.htm

NICHD. (1997). The effects of infant child care on infant-mother attachment security: Results of the NICHD Study of Early Child Care. *Child Development*, 68(5), 860–879.

NICHD Early Child Care Research Network. (1999). Child care and mother-child interaction in the first three years of life. *Developmental Psychology*, 35(96), 1399–1413.

NICHD Early Child Care Research Network. (2000). The relation of child care to cognitive and language development. *Child Development*, 71(4), 960–980.

NICHD Early Child Care Research Network. (2001, April 19). *Early child care and children's development prior to school entry*. Paper presented at the Society for Research in Child Development Research Symposium, Minneapolis, MN.

O'Hara, K. (1998). *Comparative family policy: Eight countries' stories*. CPRN Study No. F04. Ottawa, ON: Canadian Policy Research Networks Inc.

Osborn, A.F. & Milbank, J.E. (1987). *The effects of early education: A report from the child and health education study*. Oxford: Clarendon Press.

Peisner-Feinberg, E.S., Burchinal, M.S., Clifford, R., Culkin, M., Howes, C., Kagan, S.L., Yazejian, N., Byler, P., Rustici, J. & Zelazo, J. (1999). *The children of cost, quality and outcomes go to school*. Chapel Hill, NC: University of North Carolina, Frank Porter Graham Child Development Center.

Peters, R. DeV. (2001). *Overview of lessons learned*. Kingston, ON: Better Beginnings, Better Futures. Research Coordination Unit, Queen's University.

Phillips, D., McCartney,K. & Scarr, S. (1987). *Child-care quality and children's social development*. Developmental Psychology, 23, 537–43.

Prodromidis, M., Lamb, M.E., Sternberg, K.J., Hwang, C.P. & Broberg, A.G. (1995). Aggression and noncompliance among Swedish children in center-based care, family day care, and home care. *International Journal of Behavioural Development*, 18, 43–62.

Ramey, C.T. & Campbell, F.A. (1987). The Carolina Abecedarian Project: An educational experiment concerning human malleability. In J. Gallagher & C. Ramey (Eds.) *The malleability of children*. Baltimore, Maryland: Paul H. Brookes.

Ramey, C.T. & Campbell, F.A. (1991). Poverty, early childhood education, and academic competence: The Abecedarian experiment. In A. Houston (Ed.), Children reared in poverty (pp. 190–221). New York: Cambridge Press.

Reynolds, A.J. (1999). Educational success in high-risk settings: Contributions of the Chicago Longitudinal Study. *Journal of School Psychology. Special Issue: Schooling and High-Risk Populations: The Chicago Longitudinal Study*. 37(4), 345–354.

Roberts, J. & Burchinal, M. (2001). The complex interplay between biology and environment: Otitis Media and mediating effects on early literacy development. In S. Neuman & D. Dickinson (Eds.), *Handbook of early literacy research* (pp. 232–244). New York, NY: Guilford Press.

Rosen, S. (1996). Public employment and the welfare state in Sweden. *Journal of Economic Literature*, 34(2), 729–740.

Ruhm, C. (2000). *Parental employment and child cognitive development*. NBER Working Paper No. W7666. Los Angeles, CA: National Bureau of Economic Research, University of California at Los Angeles.

Shonkoff, J.P. & Phillips, D.A., (Eds.). (National Research Council and Institute of Medicine) (2000). *From neurons to neighborhoods: The science of early childhood development*. Washington, D.C.: National Academy Press.

Snow, A. (1998). A family feud about child care. *National Foundation for Family Research and Education Commentary*. Calgary, AB: National Foundation for Family Research and Education.

Scarr, S. (1998). American child care today. *American Psychologist*, 53(2), 95–108.

Statistics Canada. (1992). *Canadian national child care study*. Ottawa, ON: Supply and Services Canada.

Statistics Canada. (2001). *Women in Canada: Work chapter updates*. Catalogue #89F0133XIE. Ottawa, ON: Author

Statistics Canada. (2002). Labour Force Survey.

Vandell, D. & Wolfe, B. (2000). *Child care quality: Does it matter and does it need to be improved?* Washington, D.C.: Department of Health and Human Science.

Violato, C. and Snow, A. (2000). *The myth of quality day care*. Calgary, AB: National Foundation for Family Research and Education.

Willms, J.D. (Ed). (2002). *Vulnerable children*. Edmonton, AB: University of Alberta Press.

ABOUT THE CHILDCARE RESOURCE AND RESEARCH UNIT

www.childcarecanada.org

The Childcare Resource and Research Unit (CRRU) at the Centre for Urban and Community Studies, University of Toronto, is a policy and research oriented facility which focuses on early childhood education and care. CRRU provides public education and policy analysis; consults on child care policy and research; publishes papers and other resources; maintains a comprehensive library and computerized library catalogue; and provides online resources and research through its website (www.childcarecanada.org).

OCCASIONAL PAPER SERIES

1. Child care for Canadian children and families: A discussion paper (1993)
2. Proceedings from the Child Care Policy and Research Symposium (1993)
3. Work-related child care in context: A study of work-related child care in Canada (1993)
4. Rural child care in Ontario* (1994)
5. Child care: Canada can't work without it (1995)
6. A sociological examination of the child care auspice debate (1995)
7. The great child care debate: The long-term effects of non-parental child care (1996)
8. Theorizing political difference in Toronto's postwar child care movement (1996)
9. Neo-conservatism and child care services in Alberta: A case study (1997)
10. How should we care for babies and toddlers? An analysis of practice in out-of-home care for children under three (1999)
11. Child care and Canadian federalism in the 1990s: Canary in a coal mine (2000)
12. More than the sum of the parts: An early childhood development system for Canada (2000)
13. Women, citizenship and Canadian child care policy in the 1990s (2001)
15. Targeting early childhood care and education: Myths and realities (2001)
16. An integrated approach to early childhood education and care: A preliminary study (2001)
17. Reforming Québec's early childhood care and education: The first five years* (2002)
18. Child care by default or design? An exploration of differences between non-profit and for-profit Canadian child care centres using the You Bet I Care! data sets (2002)

OTHER PUBLICATIONS

- A survey of first year early childhood education students in Ontario (1989)
- Flexible child care in Canada: A report on child care for evenings, overnight and weekends, emergencies and ill children, and in rural areas (1989)
- Assessing child care needs: Sample questionnaires (1989)
- Assessing community need for child care: Resource material for conducting community needs assessments (1989)
- Child care policy in Canada: An annotated bibliography (1994)
- The benefits and costs of good child care: The economic rationale for public investment in young children* (1998)
- Early childhood education and care in Canada 2001 (5th ed., 2003)

FACT SHEETS AND SUMMARIES

- Child care vouchers: What do we know about them? (1997)
- What does research tell us about quality in child care? (1997)
- Public policy context of child care: The issue of auspice (1997)
- Is child care a good public investment?* (1998)
- A framework for quality: A European perspective (1999)
- Values and beliefs in caring for babies and toddlers (1999)
- The rights of young children (1999)

BRIEFing NOTES

- More than the sum of the parts: An early childhood development system for Canada (2000)
- Early childhood development services: How much will they cost? (2000)
- Targeting early childhood care and education: Myths and realities (2001)
- Executive summary: Starting Strong-Early education and care. Report on an OECD Thematic Review (2001)
- Is this as good as it gets? Child care as a test case for assessing the Social Union Framework Agreement (2002)
- Building a firm foundation for lifelong learning: The importance of early childhood education and care (2002)
- Ontario's spending for regulated child care, 1942-2001 (2002)
- Early childhood education and care in Canada 2001: Summary* (2003)

VIDEOTAPES

- Good childcare, healthy childcare (1989)
- Child care by design (1995)
- In the public interest: The benefits of high quality child care* (1997)

* Indicates item available in French.

Printed in Canada
by union labour

U.S. Department of Education
Office of Educational Research and Improvement (OERI)
National Library of Education (NLE)
Educational Resources Information Center (ERIC)

NOTICE

Reproduction Basis

[X] This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

[ ] This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (1/2003)

ps031395